CMS

CENTERS FOR MEDICARE & MEDICAID SERVICES

DURABLE MEDICAL EQUIPMENT REGIONAL CARRIER

WORKLOAD CLOSEOUT HANDBOOK

MEDICARE CONTRACTOR MANAGEMENT GROUP

01/04/06

.

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Chapter 1: **INTRODUCTION**

1.1 Durable Medical Equipment Regional Carrier Workload Closeout Handbook

This handbook was prepared by CMS to assist our Durable Medical Equipment Regional Carriers (DMERCs) in moving Medicare data, records, and operational activities to Durable Medical Equipment Medicare Administrative Contractors (DME MACs). The handbook describes the basic responsibilities and processes required by the DMERC to close out its Medicare contract activities and to assist the incoming DME MAC in its efforts to assume Medicare claims administration functions. While both the DMERC and the incoming DME MAC are responsible for accomplishing various activities during the transition, this handbook is intended for use by the departing Durable Medical Equipment Regional Carriers. A similar Workload Implementation Handbook has been developed for incoming Durable Medical Equipment Medicare Administrative Contractors.

Every Medicare workload transition will vary depending on the unique circumstances and environment of the Medicare contractors involved. This handbook cannot identify and address all of the variations that may occur during a workload transition, but it will provide the framework for addressing situations as they arise.

This handbook is for information and assistance only. It contains a wealth of information, CMS suggestions, and corresponding expectations. The handbook does not supersede any contractual requirement of the DMERC's Title XVIII Medicare contract. It represents a compilation of best practices, lessons learned, and over 25 years of CMS experience in overseeing Medicare workload transitions.

This handbook was modified from a handbook that was developed for carriers and intermediaries who will be closing out their Part A or Part B Medicare operations and transferring workload to Medicare Administrative Contractors (known as MACs). Every effort has been made to modify the text so that it will pertain solely to the Medicare closeout activities that a DME Regional Carrier will perform. However, there may be some instances where information in this handbook does not apply to a DMERC and inadvertent references to carriers or intermediaries may occur.

1.1.1 Chapters

The handbook is comprised of **8** chapters and **10** exhibits as follows:

1. **Chapter 1**: **Introduction** provides an introduction to the Handbook and the goals for a successful workload transition.

2. **Chapter 2: CMS Organization** provides information on the duties and responsibilities of CMS's transition oversight staff.

3. **Chapter 3: Initial Closeout Activities** describes the activities that are necessary to start the contract closeout process. It discusses establishment of the closeout project team, project kickoff meetings, and the organization and function of transition workgroups. The chapter also addresses initial notification activities.

4. **Chapter 4: Project Management** discusses the various tasks necessary to manage the closeout process. This includes developing the closeout project plan, the use of consultants, interaction with the incoming DME MAC, communications, and meeting and reporting requirements.

5. **Chapter 5: Personnel and Infrastructure** provides information on personnel issues and CMS policy on retention bonuses and severance pay. It also discusses policy on terminating subcontracts, asset inventory and disposition, and security.

6. **Chapter 6: Closeout Operations and Providing Information/Assistance** discusses the approach that a DMERC may take for its closeout operations and the type of information that should be provided to assist the DME MAC in its implementation. It also covers file transfer activities and assisting the DME MAC in its communication efforts.

7. **Chapter 7: Cutover and Post-Cutover Activities** covers the activities associated with final preparations for the operational closeout and the migration of files, records, and data. In addition, the chapter provides information on cutover plans, system dark days, lessons learned, and post-cutover reporting.

8. **Chapter 8: Financial Processes** provides information on the development of closeout costs and the financial activities required to move the Medicare workload. It discusses the development of transition and termination costs, banking activities, the accounts receivable reconciliation, audits, and 1099 responsibilities.

1.1.2   Exhibits

Exhibit 1   Transition Phases and Terminology

Exhibit 2   DME MAC Contract Administrative Structure

Exhibit 3   Letter to Outgoing Contactors

Exhibit 4   Sample Closeout Project Plan

Exhibit 5   Sample of Deliverables Requested from Outgoing Contractors

Exhibit 6   Files to be Transferred to a Medicare Administrative Contractor

1.2   Transition Phases

A Medicare workload transition involves three major participants: the incoming contractor (DME MAC), the outgoing contractor (DMERC) and CMS. Each transition has three major phases. For an outgoing contractor, the three major phases of a Medicare workload transition are identified as: operations (normal Medicare activities prior to the award of a DME MAC contract), closeout, and post-contract.

Transition activities in the **operations phase** are generally not extensive and are largely dependent upon whether or not the DMERC submitted a DME MAC proposal for its jurisdiction. If a proposal was submitted, there would not be significant transition activity and normal Medicare operations would continue until the DME MAC contract was announced. However, if the DMERC did not submit a proposal for its jurisdiction, then it may take some initial steps described in this handbook to prepare for the closeout phase.

The **closeout phase** begins at DME MAC contract award and ends at the DMERC's operational cutover to the new DME MAC. During this time the DMERC works with the incoming DME MAC to transfer Medicare data, records, and functions and shut down its Medicare operation.

The **post-contract phase** begins at the cutover and continues for a period of time that can range up to six months. This is the period when the DMERC closes out the financial and reporting aspects of its contract.

While this handbook provides guidance and information for all three phases, its focus is on the **closeout** and **post-contract** phases of the DMERC's transition. **Exhibit 1** provides a graphic representation of terminology used for the major transition participants.

1.3   Terminology

For purposes of this handbook, the term "outgoing contractor" refers to a Durable Medical Equipment Regional Carrier that is performing Medicare functions under Title XVIII of the Social Security Act. The terms "outgoing contractor", "DME Regional Carrier", and "DMERC" are used interchangeably throughout this document.

The Durable Medical Equipment MAC who will be assuming the Medicare functions of the outgoing DMERC is referred to as the "incoming contractor." The terms "Durable Medical Equipment MAC", "DME MAC" and "incoming contractor" are used interchangeably.

The term "provider" is used in the broad sense of the word, meaning anyone providing a Medicare service; i.e., institutional provider, physician, non-physician practitioner, or supplier.

In this handbook, the term "closeout" is used for those activities performed by the DMERC. The term "implementation" is used for those activities performed by the incoming DME MAC. The term "transition" will normally be used when there are activities or functions that involve more than just the DMERC, e.g., the DME MAC, data center, etc. However, in general public usage, the term "transition" will often be applied to closeout activities performed by the DMERC, as well as implementation activities performed by the DME MAC.

1.4 Goals of a Successful Workload Transition

All of the organizations involved in a workload transition have a responsibility to ensure that the transition is conducted properly and that their contractual obligations are met. While each participant has different roles and responsibilities during a transition, the goals remain the same:

- There is minimal disruption to beneficiaries;

- There is minimal disruption to providers, physicians and suppliers;

- There is no disruption of claims processing and Medicare operations;

- The transition is completed on schedule within the required time period;

- Actual costs represent effective and efficient use of resources; and,

- All parties with an interest in the transition (whether direct or indirect) are kept informed of the transition's status and progress.

In order to accomplish these goals, there must be proper project planning and management by the DME Medicare Administrative Contractor, maintenance of existing Medicare operations by the outgoing DMERC, and comprehensive oversight by CMS. All parties involved in the transition must cooperate fully and communicate constantly with all other parties at every level. This handbook will assist the DMERC in meeting its contractual obligations as it closes out its Medicare operations and help achieve the goals of a successful transition.

Chapter 2:   CMS ORGANIZATION

CMS will have a number of individuals responsible for overseeing the closeout activities of the DME Regional Carrier and the implementation activities of the DME Medicare Administrative Contractor. Listed below are the individuals that the DMERC will have ongoing contact with regarding its closeout work, along with a description of their responsibilities. Also discussed are the individuals who will be responsible for monitoring the incoming DME MAC's implementation.

2.1   CMS DMERC Contract Transition Personnel

The following are the key CMS individuals that the DMERC will have contact with for the activities related to the transfer of its Medicare operations, records, and data to the incoming DME MAC.

2.1.1   DMERC Contracting Officer

The DMERC Contracting Officer (CO) has the administrative responsibility for the outgoing DMERC's Title XVIII Medicare contract. The DMERC CO has overall responsibility for the DMERC's closeout activities and negotiating termination and transition costs.

2.1.2   DMERC Contractor Manager

The Contractor Manager for the outgoing DMERC is the CMS individual responsible for monitoring the day-to-day operational activities of the outgoing DMERC.   He/she will be responsible for ensuring that the DMERC continues to maintain its overall operation and performance during the closeout period. The Contractor Manager will work closely with the CMS Transition Manager to ensure that the DMERC cooperates with the DME MAC during the transition and that all Medicare files, records, and data are successfully transferred to the incoming DME MAC.

2.1.3   CMS Transition Manager

The CMS Transition Manager will be the individual responsible for monitoring, trouble-shooting, problem solving, and reporting the day-to-day activities for transition of DMERC operations, records, and data to the incoming DME MAC. The Transition Manager will work with the DMERC Contractor Manager and the DMERC Contracting Officer, as well as the DME MAC Project Officer, to manage all transition activities of the DMERC and DME MAC and provide input on technical, costs, payment vouchers, and schedule-related issues. He/she will also coordinate DME MAC implementation activities with the various functional area BFLs working with the DME MAC Project Officer.

2.2 CMS DME MAC Contract Transition Personnel

The following individuals (along with the aforementioned CMS Transition Manager) will be responsible for monitoring the implementation and/or operational activities of the DME MAC. The individuals below will interact with the DMERC in various meetings and workgroups, but will not be responsible for DMERC closeout activities during the transition. For informational purposes, a CMS administrative organizational chart for the DME MAC contracts is shown in **Exhibit 2.**

2.2.1 DME MAC Contracting Officer

The DME MAC Contracting Officer has the overall responsibility for the incoming DME MAC and is the only person authorized to enter into and bind the government by contract. He/she is the individual that negotiates and prepares the DME MAC contract document, modifies any terms or conditions of the contract, accepts delivered services, and approves vouchers for payment. While a single person could serve as both the DMERC CO and the DME MAC Contracting Officer, in the present CMS organizational structure they are two different people.

2.2.2 DME MAC Project Officer

The DME MAC Project Officer (PO) serves as the first point of contact for the DME MACs. He/she is the focal point for exchange of information and the receipt of programmatic approvals on deliverables and other work under the DME MAC contract. The PO is the technical representative of the DME MAC Contracting Officer and provides technical direction to the DME MAC, as necessary, in all the business functions contained in the DME MAC statement of work. He/she also monitors the performance of the DME MAC under the contract and reviews payment vouchers. The PO may designate various Business Function Leaders (BFLs) and technical monitors (TMs) to support his/her effort.

2.2.3 Business Function Lead

Business Function Leads (BFLs) will assist the Project Officer and will serve as the technical representative for their specific business function within the DME MAC contract. They will assist the PO with specific functional inquires and technical issues. They will also monitor and analyze activities and deliverables. In addition, they will review monthly invoices and vouchers pertaining to their area and make payment recommendations to the PO. The BFL is not authorized to direct any technical changes or make any contractual commitments or changes on CMS's behalf.

2.2.4 Technical Monitor

Technical Monitors (TMs) may be designated to work with the BFL and/or the Project Officer on an as needed basis to monitor and evaluate specific activities within an overall functional area.

Chapter 3: INITIAL CLOSEOUT ACTIVITIES

3.1   Award Notification

The CMS Contracting Officer will contact the DMERC immediately after the DME MAC is informed of its contract award for the DME jurisdiction. This will begin the closeout phase of the DMERC's transition.

The CO will discuss the general aspects of the incoming DME MAC's proposal and the transition schedule. The CO will provide the DMERC with the DME MAC's proposed implementation timeline and determine if there are any initial problems from the outgoing contractor's perspective. The anticipated ending date of the contract will be provided, and the CO will discuss upcoming activities, the kickoff meeting, and CMS expectations for the transition.   The CO will also provide any information regarding the DME MAC's proposal for any type of turnkey operation or job offers to the outgoing contractor's employees.

3.2   DMERC Notification

After the DME MAC award has been made, the CO will provide official notification that CMS is terminating the DMERC's Medicare contract. There will also be an initial discussion about the financial requirements for transition and termination costs. The CO will request that the DMERC begin to prepare a budget for those costs. See **Chapter 8, Financial Processes.**

CMS will also send the outgoing contractor a letter requesting a copy of current personnel policies, including severance and related payments. The letter will include an attachment dated November 15, 2000 that describes transition and termination costs and provides CMS' policy on retention bonuses and severance pay. See **Exhibit 3.**

3.3   Public Announcement

CMS will issue a press release regarding the award of the DME MAC contract. The DMERC may also wish to issue a press release regarding the cessation of its Durable Medical Equipment claims operation. The announcement should include assurances that it will work closely with the new DME MAC during the transition and that service to Medicare beneficiaries and providers will not be disrupted.

3.4   Initial Contact with DME MAC

After CMS has publicly announced the contract award and implementation schedule, the incoming DME MAC will contact the outgoing DMERC. The contact call will normally be made by upper management and will serve as an introduction to the DME MAC. The DME MAC proposal may be discussed in general terms, especially if it has an interest in

the outgoing DMERC's staff and/or facilities. Other areas of discussion may include communication, commitment of the organizations, the transition schedule, and any immediate problems or issues that need to be addressed before the kickoff meeting.

3.5   Employee Notification

After the DMERC is aware of the general provisions of the DME MAC's proposal, it should schedule a meeting with all of its DME Medicare employees. The purpose of this meeting is to provide information about the transition and to inform employees about the status of their jobs.

If the DME MAC has indicated that it would like to hire some or all of the outgoing contractor's staff, employees should be provided with as much as information as is known about the DME MAC's intentions. Employees should also be informed about any jobs that may be offered in other Medicare or non-Medicare areas of the outgoing contractor's organization. Should jobs not be available in other areas or if employees will not have jobs offered to them by the new DME MAC, information on severance pay, retention bonuses, outplacement services, and other corporate benefits should be provided as soon as possible.

3.6   Closeout Project Team

The DMERC will need to form a project team that will be responsible for closeout activities. The team's purpose is twofold: 1) to work directly with the DMAC to accomplish the orderly transfer of all Medicare data, records, and functions; and 2) to take the necessary steps to close out the DMERC's Medicare contract. The team should be comprised of a Closeout Project Manager and experienced personnel representing the various functional areas of the DMERC. Closeout team staff will be assigned to participate in the transition workgroups that will be formed (see **Section 3.8** below).

Once assignments have been made, an internal meeting with all team members should be held in order to plan and prepare for the closeout and upcoming kickoff meeting. An organization chart and contact list should be developed. Initial discussion should also take place regarding the development of the DMERC's Closeout Project Plan. In addition, administrative details and procedures for meetings and communications should be finalized.

3.7   DME Jurisdiction Kickoff Meeting

The kickoff meeting for the DME Jurisdiction represents the formal start of the process of moving the DMERC's Medicare data, records, and operations to the DME MAC.

3.7.1   General

The kickoff meeting allows all parties involved in the transition to meet face-to-face to review the project expectations and to discuss roles and responsibilities. The meeting

will also help ensure that there is agreement among all participants regarding the tasks involved, roles and responsibilities, project assumptions, and schedule. Any emerging issues and/or changes that have occurred since contract award will be discussed, as will any lessons learned from recent workload transitions that may be applicable to the DME environment.

The DME MAC will be responsible for setting up the kickoff meeting and shall consult with the outgoing DMERC regarding the time and location of the meeting. The meeting may be held at the DME MAC or DMERC operational site, or in the vicinity thereof. The kickoff meeting will normally occur 10-15 days after contract award.

The DME MAC will be responsible for setting up the facilities for the meeting, providing toll-free phone lines for off-site participants, developing an agenda (with DMERC and CMS input), and notifying attendees. CMS will moderate the kickoff meeting. This will be the only meeting that CMS will moderate; all other meetings/ teleconferences will be the responsibility of the DME MAC. Meeting minutes and an attendance/contact list will be prepared and sent to all those attending the meeting.

The DMERC Contracting Officer may wish to have a pre-meeting with the DMERC prior to the DME Jurisdiction kickoff meeting. This meeting would discuss CMS expectations, financial issues, and any items and concerns specific to the DMERC that would not be relevant to discussions in the general kickoff meeting

3.7.2   Participants

All parties directly involved in the transition should be in attendance: the outgoing DME Regional Carrier, the DME MAC, CMS, any DME MAC that will be responsible for processing a portion of the outgoing DMERC's Medicare workload, representatives from the appropriate data center(s), the standard system maintainer, IT services companies such as print/mail contractors or data processing key shops, and functional contractors such as the Program Safeguard Contractor (PSC), Qualified Independent Contractor (QIC), and Beneficiary Contact Center (BCC). Toll-free teleconference lines will be available for individuals or organizations that cannot attend in person.

Most of the members of the DMERC's closeout project team should attend the kickoff meeting, since detailed technical information and operational procedures will be discussed. The DMERC must have a representative present with the authority to establish project commitments and approvals on behalf of the organization.

3.7.3   Topics of Discussion

The DME MAC will make a corporate introduction, describe its Medicare organization, and discuss its implementation team and structure. The DME MAC's Implementation Project Plan (IPP) will be distributed and an overview of the plan will be presented. Input from meeting attendees will be solicited by the DME MAC so that a baseline IPP can be prepared and submitted to CMS.

The outgoing DMERC will also make a presentation regarding its organization, closeout project plan, and transition team structure. It is critical that the DME MAC and the outgoing DMERC coordinate their project plans to ensure that all transition tasks are covered, responsibility is acknowledged, and that there are no date or task schedule conflicts. The kickoff meeting should also cover transition issues that need immediate attention, such as human resources, connectivity, and industry/provider communications.

CMS will discuss its transition organization and the oversight team that will be used to monitor the DME MAC's implementation and the DMERC's closeout. CMS will also review reporting requirements for each contractor (see **Chapter 4.10**). In addition, the activities and schedules of other organizations involved in the transition (data centers, PSC, QIC, etc.) will be reviewed and finalized.

Transition workgroups will be a key topic of discussion at the meeting (see **Chapter 3.8** below). The DMERC will be expected to work with the DME MAC and other attendees to establish transition workgroups, agree on their basic responsibilities, and determine the individuals that will participate in the workgroups.

If possible there should be breakout sessions of the various workgroups with as many members as possible. If there are not enough workgroup members available, a date and time should be agreed upon for the group to initially meet and organize. The breakout session will provide the opportunity for workgroup members to begin brainstorming, discuss transition strategy, and address any immediate issues. The group should also review draft project plans, deliverables that have been requested, dependencies, and any action items that have already been identified in order to better define and develop the direction of the workgroup. Members should also discuss methods for accomplishing their workgroup tasks. The group should try to reach agreement on administrative items such as workgroup meeting/teleconference dates and times, if possible.

The DME MAC will distribute any deliverables list, action item list, or problem/issue log that is developed as a result of the kickoff meeting. The deliverables list will serve as documentation of the information the DME MAC is requesting from the DMERC in order to facilitate the transfer of the Medicare workload (see **Chapter 6.3**).

After the kickoff meeting is completed, the DMERC should review its closeout project plan and schedule and make appropriate revisions based on the discussions that took place at the meeting.

3.8   Transition Workgroups

Workgroups are the basic organizational structure for conducting the day-to-day activities of the transition. They have proven to be the key to successful workload transitions.

3.8.1   General

Transition workgroups are established to facilitate the process of transferring the outgoing DMERC's Medicare workload to the DME MAC. The DME MAC and the DMERC must reach agreement on what workgroups will be established and what their specific responsibilities will be. Workgroups are generally established for infrastructure activities (facilities, hardware, human resources, telecommunications, etc.), functional program areas (MSP, medical review, etc.), and overall project administration tasks (project management, financial, etc.).

3.8.2   Participants

Experienced staff from the DME MAC, the outgoing DMERC, and other involved organizations will be assigned to the various workgroups that will be formed to oversee specific transition tasks or functional areas. Of course, the DMERC will only participate in a workgroup if there is some DMERC involvement in the workgroup's function. CMS will normally be represented on every workgroup. The DME MAC will be responsible for appointing the workgroup head.

If the DMERC will have more than one individual on a workgroup, it should designate a lead. The lead will be responsible for updating any tasks related to the workgroup that are listed in the Closeout Project Plan. He/she will also insure that requested DMERC information and deliverables are provided to the workgroup.

3.8.3   Scope

The scope or area of responsibility for the individual workgroups will vary depending on a number of factors such as the DME MAC's organization or business structure, size of the outgoing DMERC, business processes, and workflow structure. At the kickoff meeting, the DME MAC and outgoing DMERC must reach consensus on the number and basic responsibilities of the workgroups to be established. The actual number of workgroups has varied among transitions, but generally 8-10 workgroups are formed. Workgroups have been established for the areas shown below, but occasionally, more specialized workgroups have been formed. Workgroups have also been combined for convenience or practicality.   In addition, subgroups within a workgroup have been established to focus on specific areas or issues.
Typical transition workgroups include:

- Project Management
- Communications
- Systems/IT
- Telecommunications
- Beneficiary/Provider Relations
- Reimbursement
- EMC/EDI
- Medical Review

- MSP
- Operations/Claims Processing
- Provider Enrollment
- Hardware/Software
- Facilities
- Human Resources
- Financial
- Print/Reports
- Cutover

3.8.4   Functions

Each workgroup will identify the steps and action items necessary to successfully transfer the outgoing DMERC's Medicare records, data, and operations that relate to that specific workgroup. They will be responsible for monitoring and updating the tasks listed in the DME MAC's Implementation Project Plans that are applicable to their workgroup, as well as applicable tasks in the DMERC's Closeout Project Plan. Throughout the transition period, the workgroup will report their progress to the appropriate managers, resolve policy and transition issues regarding their areas of expertise, and ensure that all specific activities and deliverables have been accomplished.

Each workgroup is charged with defining the basic functions of the workgroup and establishing a work plan to address its objectives, work responsibilities, ground rules, and reporting requirements. The workgroup should maintain an issues/action item list and a deliverables log throughout the transition to insure that all items relating to the workgroup are resolved. The workgroup must have a clear understanding of the information that it must provide to other entities, as well as information and deliverables that it has requested from others. It is important that requests are precise so that time will not be lost due to misunderstanding as to what is being asked for. The workgroups should reach an understanding of the types of issues for which they have the authority to resolve and obtain approval from the project managers of those organizations represented in the workgroup.

Initial activities for the workgroups will include brainstorming, discussion of transition strategy, taking action on any immediate issues, identifying workgroup members, and reaching agreement on meeting dates and times. The workgroup should also discuss how they will accomplish their project tasks. The group will review transition materials and documents, the Implementation Project Plan, the Closeout Project Plan, any deliverables that have been requested, dependencies, action items, etc. to better define and develop the direction of its workgroup.

3.8.5   Communication

Workgroups should meet on a weekly basis, either in person or via teleconference. The DME MAC will provide toll-free teleconference lines for the workgroup meetings, as well as any ad hoc teleconferences or meetings. The DME MAC will also develop a

comprehensive workgroup meeting schedule for the transition. The schedule will provide a listing of all the workgroups that have been established, the workgroup lead, members, the day and time that the workgroup will meet (normally scheduled for one hour), and the call-in number with corresponding pass code. Membership of the workgroup should be finalized within a week after the kickoff meeting.

A workgroup agenda will normally be distributed a day before the workgroup meeting. The agenda may be in a fixed format that can be used as a minutes document after conclusion of the meeting. Workgroup meeting notes or minutes will be distributed within two business days after a meeting to allow sufficient time for required decisions to be made before the next meeting. The development and distribution of the agenda and meeting minutes/notes are the responsibility of the DME MAC workgroup lead. The minutes should be reviewed at the next meeting so that all parties understand the impact of any decisions.

It is absolutely essential that there be communication between the various workgroups to ensure that each group knows what issues have been identified and the progress being made towards resolution. In some instances, the same issue will arise in several workgroups. Therefore, workgroup meeting notes need to be exchanged among the different groups, particularly for those that are handling similar or related issues. The Project Management workgroup could serve in this capacity as a clearinghouse or forum for sharing information among the workgroups.

Chapter 4:   PROJECT MANAGEMENT

4.1   Purpose

This chapter will provide general information and guidance regarding the management of DMERC closeout activities. It will emphasize a number of items that the DMERC should consider and will provide the framework for completing the activities detailed in succeeding chapters so that the Medicare workload will be moved successfully into the DME MAC operational environment.

4.2   Project Team Modifications

Based on the discussions during the kickoff meeting, the DMERC may need to refine its closeout project team. Staffing changes may need to be made and responsibilities modified. Once the team has been finalized, the organization chart and contact list should be submitted to CMS and the incoming DME MAC. It may be helpful for the project team to meet internally on a weekly basis to discuss issues and update the project plan, in addition to the regular biweekly project status meetings. See **Chapter 4.11.3.**

4.3   Closeout Project Plan

The DMERC will be responsible for developing and maintaining a Closeout Project Plan (CPP). An accurate and complete project plan is necessary to properly close out the Medicare contract. CMS does not mandate any particular method or software to be used in managing the closeout; it does, however, require that project plans, reports, and materials are readable using Microsoft Project, Excel, Word, or Adobe.

The CPP must provide an overall administrative plan and a description of all tasks and timeframes required to close down DMERC operations and transfer Medicare data, records, and operations to the DME MAC. The DMERC must create a "baseline" CPP and submit it to CMS for approval within 15 days of the kickoff meeting. This will be the "master plan" for the closeout and will be used by the DMERC and CMS to monitor the overall progress of the project.

 A sample Closeout Project Plan is shown in **Exhibit 4.** The exhibit shows a breakout of the major areas of activity that are usually required for the closeout of a Medicare contract; however, it is not specific to DME. The tasks and the level of detail may vary depending on a number of factors associated with the transition. The CPP should show a Work Breakdown Structure (WBS) to the level commensurate with the extent of the activity, depending on the major task category and the amount of detail the DMERC (or CMS) finds necessary in order to properly track the project.

CMS understands that the CPP is a dynamic document that may change throughout the life of the project. Additional tasks may need to be added and tasks may need to be modified or deleted if they are no longer applicable. Timeframes may also need to be

revised to correlate to any transition schedule changes. Any changes to the CPP should be communicated to CMS.

It is imperative that the DMERC coordinates its CPP with the DME MAC's Implementation Project Plan (IPP). The interrelated project activities and dates of the two contractors must not be in conflict. A great deal of outgoing contractor information is necessary for the complete development of the DME MAC's Implementation Project Plan. Some of this information cannot be obtained until after contract award. The DME MAC will baseline its IPP as a result of the kickoff meeting and subsequent discussions with the DMERC and other involved organizations. During the transition, CMS expects the DMERC and the DME MAC to continually work together to refine both the IPP and the CPP.

The DMERC's Closeout Project Plan must be updated on a biweekly basis with an accompanying list of tasks that were completed during the reporting period and a list of tasks that are not on schedule—either they have not started or have not been completed in accordance with the dates shown on the CPP.

4.4 Consultants

As the DMERC assesses its closeout activities, it may find the need for consultant services to assist in certain transition tasks and/or to provide expertise in the financial and legal issues surrounding closeout activities. Section II of the Title XVIII Medicare contract should be reviewed for requirements regarding CMS's prior approval of consultant services. Under the Medicare contract, a DMERC must have prior written approval of the Contracting Officer if:

- Reimbursement for the services of any proposed consultant will exceed $400 a day or $100,000 per year, exclusive of travel costs; or

- Any employee of the company is to be reimbursed as a consultant.

If a DMERC expects to enter into a consultant service contract that requires CMS's prior approval, it **MUST** contact the Contracting Officer. It must demonstrate the need for such consultant services and document the roles and responsibilities. It must also include the estimated costs and demonstrate the reasonableness of the fees to be paid. The DMERC must allow sufficient time for CMS to approve the consultant contract prior to execution. Failure to do so may affect reimbursement.

4.5 Interaction with the Incoming Contractor

A transition is a complex undertaking involving many different organizations. It is a temporary partnership and all parties need to be working toward the common goal of a successful transition. One of the most important activities in the DMERC's closeout period is to work with the DME MAC to plan, organize, and control the orderly transfer of Medicare operations, workload, and documents. It is critical that the DMERC work

closely with the DME MAC to coordinate activities, monitor workload and staffing changes, and <u>communicate</u> at all levels. The meeting and reporting requirements detailed in **Chapter 4.10 and 4.11** below provide a framework for that effort.

In some transitions, the parties have found it helpful to have regular informal teleconferences with just the project heads of all the organizations involved (e.g., DME MAC, DMERC, data center, CMS, PSC, etc.) to keep the lines of communication open, discuss overall progress, and ease the resolution of any issues or conflicts.

4.6   Internal Communications

It is important that the DMERC keep its employees informed about the progress of the closeout and transition to the DME MAC. This can be accomplished through regularly scheduled staff meetings and employee bulletins or newsletters. If the outgoing contractor's staff is going to be hired by the DME MAC, updates and information regarding the DME MAC's implementation efforts will be provided to the DMERC. The DME MAC may also have a human resources person and/or management staff available on site to answer employment questions and to provide general information on the progress of the implementation.

4.7   On Site Presence

The DME MAC may request that the DMERC provide space at its facility for occasional use by DME MAC personnel conducting transition business. The DME MAC's subject matter experts/workgroup heads will normally be on site at various times throughout the transition to gather information on current processes and to monitor activities. The amount of on site presence requested will be dependent on a number of factors, but a key factor is whether or not the DME MAC will hire the outgoing DMERC's staff and/or maintain a presence in the area. The DMERC will need to negotiate with the DME MAC regarding space and equipment needed, the number of personnel, and tentative timeframes. It will also need to discuss company policy/procedures regarding site access and security measures that must be observed.

4.8   Nomenclature

As the transition begins, the DMERC must make sure that the terminology and nomenclature used in its operation is understood by all parties involved in the project. All terms, acronyms, and files need to be well defined and clearly understood. This will help prevent project delays, duplication of effort, and unanticipated workload being transferred at cutover.

4.9   Waivers

It is possible that the demands associated with contract closeout and transferring the Medicare workload may result in the DMERC identifying either administrative or workload functions and duties it believes it can no longer perform. If such a situation

occurs, it should discuss the issue with CMS. If it appears that the waiver would be appropriate given the circumstances surrounding the transition, the DMERC should submit a request following the normal CMS waiver procedures. All waiver requests must be submitted in writing or through e-mail to CMS Central Office, CMM, Medicare Contractor Management Group (MCMG). The specific designee will be named for each transition.

Each waiver request submitted must identify the specific activity for which the waiver is being requested. It must also identify any related administrative cost savings, on a full and incremental basis, and provide a rationale for each savings calculation. Full cost savings could include staff costs no longer required to perform a proposed activity to be eliminated. However, those same staff costs would be excluded from the incremental cost savings if that staff were shifted to other work including transition activities.

CMS will not review or approve any request for waiver that does not contain specific cost savings or an explanation of why no savings is anticipated. Closeout waiver requests are given priority attention in CMS; a decision will be made and notification provided as soon as possible.

CMS will also work with outgoing contractors to address telephone service issues resulting from reduced staffing levels or other transition issues. CMS may choose to relax call-handling standards, re-route calls to other call center locations, or take other actions to address the service level issue on a case-by-case basis.

The DMERC should be prepared to negotiate a reduced Notice of Budget Approval (NOBA) for any incremental cost savings which occur as a result of a waiver approval.

4.10 Documentation

CMS will closely monitor the outgoing DMERC and incoming DME MAC during the transition to ensure that it occurs on schedule and that all Medicare data and operations have been properly transferred. CMS requires the DMERC to submit the following documents during the closeout period. For convenience, a comprehensive guide to all of the documentation required during a transition is found in **Exhibit 7, DME Workload Transition Meeting and Documentation Guide.**

4.10.1   Closeout Approach / Inventory Reduction

The DMERC will prepare a document describing the proposed operational approach it will take for its claims processing activities and inventory reduction during the closeout period. It should include the streamlining of operations, a workload reduction plan, staffing configurations, and any proposed contingency plans. The approach should be submitted to CMS for approval no later than 15 days after the kickoff meeting. See **Chapters 6.1 and 6.2.**

4.10.2   Closeout Project Plan (CPP)

The Closeout Project Plan shows the tasks and schedule necessary for the transfer of Medicare files and operations to the DME MAC and the activities required for contract closeout. The CPP must be coordinated with the DME MAC's Implementation Project Plan. A baseline CPP should be submitted for approval to CMS no later than 15 days after the kickoff meeting. The CPP is a dynamic document and will be modified as events occur during the transition. The DMERC must ensure that CMS is aware of any changes made to the CPP and that those changes are reflected in the biweekly CPP update. See **Chapter 4.3**.

4.10.3   Closeout Project Plan Update

The CPP will be updated on a biweekly basis. The plan should be submitted at least two days prior to the biweekly project status meeting (see **Chapter 4.11.3**).   The updated plan should be accompanied by a list of tasks that were completed during the reporting period and a list of tasks that are not on schedule—either they have not started or have not been completed in accordance with the dates shown on the CPP. When submitting an updated CPP, many contractors highlight in red those tasks that are not on schedule. Also, the update must show any new tasks that have been added to the plan and tasks that have been deleted, along with an explanation for the action.

4.10.4   Closeout Project Status Report

This report is prepared biweekly and contains a narrative status of closeout activities. The report should describe the activities that have taken place in each major task area of the project for the two week reporting period. It should also include a discussion of outstanding issues and the status of deliverables. If there are problems or potential problems, the DMERC should provide detailed information and provide any resolution measures. The report should also discuss any schedule slippage, the impact it may have on the project and the steps that are being taken to correct the situation.   The Closeout Project Status Report is due two days prior to the biweekly project status meeting.

4.10.5   Workload Report

As soon as the DME MAC award is made, CMS will begin monitoring the outgoing DMERC's performance on a weekly basis. Data obtained will include:

- receipts
- claims processed
- claims pending
- claims pending over 30/60/90 days
- claims processing timeliness
- correspondence
- hearings
- appeals

- telephone service
- compliance reviews

The workload report with the above-mentioned items will be submitted to CMS on a weekly basis. Actual monthly workload should be displayed against the expected monthly workload goals of the inventory reduction plan that was submitted as part of the DMERC's operational closeout approach document (see **Chapter 4.10.1** above). If there are major discrepancies between the actual workload and anticipated goals, an explanation should be provided. CMS will provide DMERC workload information to the DME MAC on an ongoing basis, along with any operational issues that arise.

4.10.6   Issues Log/Action Items

The DMERC should maintain an issues log/action items list for those items identified during the closeout. The list should be for those issues that pertain solely to the DMERC and are not part of the implementation issues log maintained by the DME MAC. The list should provide an identification number, the date created, a description of the issue/action required, the responsible party, an update of the status, the date of resolution, and any pertinent comments. The document should be reviewed weekly and updated as required. It should be submitted with the biweekly CPP update.

4.10.7   Staffing Report

CMS will also monitor staffing levels of the DMERC by the functional areas of its Medicare operation. The DMERC will provide a weekly breakout of staffing showing staff losses by area, transfers within the Medicare operation or to other areas of the company, new hires (temporary or permanent), and staff in training. There should also be an explanation of the changes. The DME MAC will be provided a copy of the staffing report. Based on the workload and staffing reports, it is possible that CMS (after consultation with the DMERC and DME MAC) may decide to move a particular function sooner than expected. If this occurs, the DMERC project schedule and transition/termination costs would be modified accordingly.

4.10.8   Asset Inventory

The DMERC must develop a fixed asset inventory for all Medicare assets that were acquired in order to perform the functions of its Medicare contract. Any government furnished property (GFP) or equipment (GFE) should be listed separately and identified as such. The inventory will include all real property, hardware, software, supplies, equipment, furniture, etc. that was purchased for its DMERC operation and reimbursed by CMS. It should also show the residual value of the asset and its anticipated disposition. The inventory must be provided to the Contracting Officer as soon as possible after closeout activities have begun. See **Chapter 5.6**.

4.10.9   File Inventory

The DMERC must develop an inventory of all files and records that will be transferred to the DME MAC. The inventory should give a description of the files, including contents, size, etc. If the DMERC has more than one operational site, an inventory must be prepared for each site. CMS and the DME MAC will be provided with a copy of the inventory. The DME MAC will use the inventory to determine where files will be located when it assumes the DME workload. See **Chapter 7.6.1**

4.10.10 File Transfer Plan

When a final file inventory has been prepared, the DMERC and DME MAC must jointly develop a file transfer plan. The plan should describe the files and records to be transferred by type, method of data transfer, transfer protocols, and destinations. A schedule for the transfer of the workload with shipping dates and times must be provided. It should also provide a description of the method of manifesting, packaging, and labeling all claims and correspondence. The file transfer plan must be developed and provided to CMS prior to the beginning of the cutover period. See **Chapter 7.6.3.**

4.10.11 Post-Cutover Activities and Resources

During the cutover period, the outgoing DMERC must assess what activities it will need to perform after cutover and the personnel it will need. Most of the post-cutover activity involves the final preparation and submission of the various CMS-mandated reports and the financial closeout of the contract. A document should be prepared describing functions that must be performed, the reports to be completed, the number and availability of resources, the time commitment that will be required, and the schedule for completing the post-cutover activities. The document should also include any additional factors that need to be considered, such as the training of staff to perform tasks that were done by employees who are no longer available. The post-cutover information should be provided to the CMS Transition Manager at the beginning of the cutover period.

4.10.12 Lessons Learned

CMS believes that each transition that takes place will provide valuable information and lessons learned for subsequent transitions. As such, CMS asks that during the closeout the DMERC maintain a list of activities that went well, problems that were encountered, and suggestions for how things could be handled differently during the next transition. It is hoped that after cutover, the DMERC will be able to prepare a lessons learned document regarding its activities during the closeout. The document should be structured using the major tasks of the Closeout Project Plan or the major areas reported on the Closeout Project Status Report. The lessons leaned should analyze what activities were successful and why, and discuss those activities that need improvement. The lessons learned document will be used as the basis for discussion during the post-project review meeting (see **Chapter 4.11.6**) and should be submitted to CMS 4-6 weeks after cutover.

4.11 Meetings

The DMERC will be expected to attend a variety of meetings as part of its closeout activities.   These meetings will help ensure that all parties are informed of the progress of the transition, are aware of the outstanding issues, and understand what actions need to be taken on their part for the successful outcome of the project.

The following are meetings that the DMERC will need to attend. Unless otherwise noted, the DME MAC will obtain facilities, provide toll-free teleconference lines, and prepare and distribute agendas and meeting minutes. Note that the term "biweekly" means every two weeks.

Exhibit 7, DME Workload Transition Meeting and Documentation Guide provides a useful reference of the following meeting information in chart form.

4.11.1   DMERC Pre-Kickoff Meeting

The DMERC Contracting Officer may wish to have a pre-meeting with the DMERC prior to the transition kickoff meeting. This meeting would discuss CMS expectations for the transition, personnel and financial issues, and any items of concerns from the DMERC perspective. The purpose of this meeting would be to address issues that are specific to the DMERC that would not be relevant to discussions in the general kickoff meeting.

4.11.2   DME Jurisdiction Kickoff Meeting

The DME jurisdiction kickoff meeting is a one-time meeting that brings together all of the participants in the transition. It provides the opportunity to meet face-to-face to discuss the overall approach and organization of the project. Participants will provide an overview of their companies and introduce their project team. The schedule will be reviewed, roles and responsibilities defined, and any concerns or issues addressed. The number and function of the transition workgroups will also be discussed and agreed upon. CMS will moderate the meeting. The kickoff meeting is held 10-15 days after contract award. See **Chapter 3.7.**

4.11.3   Project Status Meeting

This biweekly meeting is intended for all parties involved in the transition to obtain an update on the progress of the project.   The parties will review the major tasks of the DME MAC's Implementation Project Plan (IPP) and receive updates from each of the workgroups. Participants will go through the deliverables and issues logs and review workgroup items. The meeting will discuss issues that have arisen and determine appropriate action on delays in task completion, deliverables, and action items. The DMERC will also provide updates to its Contract Closeout Plan (CCP) and the relevant activities of the other parties involved in the transition will be reviewed. The project status meetings are generally held by conference call, although there may be some face-to-face meetings. The DME MAC will prepare an agenda at least one day prior to the

meeting and distribute meeting documentation (list of attendees, minutes, action items, etc.) within three days after the meeting.

4.11.4   Transition Workgroup Meetings

Transition workgroups generally meet on a weekly basis. The meetings will be used to review the transition activities applicable to its function, track deliverables, and monitor action item resolution. Problems or issues will also be raised to the appropriate project lead. Workgroup meetings are normally teleconferences, although some may be in person, especially in the beginning of the project or near cutover. See **Chapter 3.8**.

4.11.5   Cutover Meeting

Beginning approximately two weeks before the cutover, a daily cutover teleconference will be held. The meeting will review the cutover plan and the activities scheduled for that day and resolve outstanding issues. The calls are normally held in the morning and are brief in length. See **Chapter 7.4.**

4.11.6   Post-Project Review Meeting (Lessons Learned)

After the transition has been completed, the DME MAC will conduct a post-project review meeting. This meeting will normally be via teleconference unless CMS believes that it would be beneficial to meet face-to-face. The purpose of the meeting is to review those activities that were successful during the transition and those that need improvement. Attendees will review the lessons learned documents that will be prepared by all parties involved in the transition (see **Chapter 4.10.12** above). The meeting will take place approximately six weeks after the cutover.

It is extremely important for CMS to get input from the DMERC in order to improve subsequent transitions. Given this importance, it is hoped that the outgoing DMERC will participate in the lessons learned meeting. CMS recognizes that certain key transition personnel may no longer be employed by the company. However, if the key individuals are still in the employ of the organization, CMS expects that every effort will be made to allow them to attend the meeting.

Chapter 5: **PERSONNEL AND INFRASTRUCTURE**

5.1 Personnel Actions

Employee commitment to the transition is extremely critical. DMERC employees must continue to perform their jobs throughout the transition and maintain production levels. It is incumbent on the outgoing DMERC to make every effort to keep existing employees and maintain their productivity. Rumors can run rampant during a transition, especially after the announcement of the DME MAC award. They can affect the work environment in numerous ways and can affect efforts to retain personnel--the longer uncertainty exists, the more attractive alternate employment becomes. It is important for the DMERC to provide factual and timely information throughout the closeout period.

Obviously, if employees have knowledge that they will remain with the company or that the DME MAC will be extending offers of employment, it will greatly facilitate the transition process and alleviate fears regarding the future. However, that will not always be the case. Even if employees are facing separation, knowledge of employee benefits and any special incentives can help keep operations running smoothly. It is important for the DMERC to provide open forums for discussion and to alleviate fears regarding employees' futures. There should be an established process for written and verbal communications regarding transition issues in order to provide ongoing information to employees. A number of outgoing contractors have also found it helpful to have a transition hotline or special section on their websites dedicated to transition information.

5.1.1 Employment Within the Company

DMERC management will need to ascertain corporate intentions for its employees at the end of its Medicare contract. Management will determine if jobs in other areas of the company will be offered to DMERC employees, and if so, how many and in what areas. This information should be provided to employees as soon as possible. If personnel will be offered other positions within the company, CMS expects that the DMERC will make every effort to keep its employees in place until cutover or negotiate a mutually agreeable plan with the other corporate component(s) if employees are to be transferred prior to cutover.

5.1.2 DME MAC Employment

If the DME MAC is proposing to hire outgoing DMERC employees, management staff will contact the DMERC to discuss its proposal regarding how many positions may be offered, the location(s) of jobs, and specific individuals of interest. Steps should be taken to provide as much information as soon as possible to employees after the details of the DME MAC's employment proposal have been obtained. As soon as possible, the DMERC should hold a meeting with affected employees to communicate the

commitment of both organizations, allay fears, and provide information regarding the transition and future employment. The DME MAC may also wish to have a face-to-face meeting with potential employees to discuss its organization, benefits, and the types of jobs that will be available. If the DME MAC is proposing to hire a substantial number of DMERC employees, it may propose that a human resources representative be on site on a regular basis to address employee concerns and provide detailed information regarding benefits and employment.

The DMERC should work with the DME MAC to establish communication procedures for the employees it is proposing to hire. Protocols for contacting staff, obtaining approval and release of employee information, and how job postings can be displayed will need to be agreed upon. The DME MAC will need specific employee information such as names and addresses of employees, dates of service, job titles, job grades, job descriptions, current salaries, review dates, etc., and documentation of current employee benefits. Of course, obtaining certain information will require permission from the employee.

The DMERC and DME MAC should prepare a comparison of employee benefits showing the differences between each organization's benefits. Meetings should be scheduled with staff to discuss the differences, provide information on what employees may expect if they become DME MAC employees, and how the actual employment cutover will be handled. The DME MAC may also ask to contribute transition related articles to the DMERC's employee newsletter.

A mutually agreed upon plan or calendar for when employees will actually transfer to the DME MAC's employment will need to be developed. The plan must ensure that there is no degradation of service at the DMERC's site due to the hiring schedule. CMS expects that the DME MAC will not hire any of the outgoing DMERC's staff to perform work for the DME MAC prior to cutover unless it has been agreed to by the outgoing DMERC and CMS.

5.1.3   Termination

The DMERC will need to develop a strategy for: 1) retaining those employees that will not continue employment with the company or be hired by the DME MAC; and 2) maintaining the productivity of those employees. The strategy should be based upon CMS policy and applicable regulations, prior transitions, and internal company guidelines. Consideration may be given to items such as performance incentives, overtime, retention bonuses, compensation packages, severance pay, etc.

The DMERC will need to enter into discussions with CMS as it develops its strategy and have agreement with CMS regarding those areas that will require CMS reimbursement. Employees should be informed as soon as possible about severance pay and any other type of financial arrangement that the DMERC will offer.

DMERCs may utilize or develop an employee counseling program to provide guidance on such topics as severance pay, benefit expiration, benefit conversion (if appropriate), vested employees retirement rights, unemployment compensation, and any other entitlements. It may also make job placement services available to assist employees with employment opportunities within other areas of the company or in the local area. Outgoing contractors should note that CMS will not pay for job placement services.

The DMERC must be cognizant of any Federal and state labor laws and requirements regarding employee notification of job loss and verify that the company policy regarding layoffs is in compliance.

5.2   Severance Payment

CMS's severance payment policy was contained in a memorandum distributed to all Medicare contractors on November 15, 2000 (**see Exhibit 3**). DMERCs should review their own corporate severance policies to insure that they conform with all of the conditions that are set forth in the memorandum. Failure to comply could put the DMERC at risk for reimbursement.

Even though the DMERC describes its current corporate severance policy in the Financial Information Survey accompanying the annual Budget Request, a copy of the most recent severance pay policy should be submitted to the Contracting Officer. CMS will closely review any recent changes to the DMERC's severance pay policy. Discussions will need to take place between the Contracting Officer and the DMERC to insure that there are no issues regarding the amount of CMS's severance payment obligation.

CMS will reimburse an outgoing contractor for severance payments made to its employees in accordance with Federal Acquisition Regulations (FAR) 31.201-4(b) and FAR 31.205.6(a),(b), and (g). As provided for in the FAR, CMS is liable, in most instances, for the severance costs stemming from the established, written policy of the DMERC. The unique circumstances surrounding the termination of each DMERC's contract will determine the liability and extent of liability that CMS may have.

In general, CMS will reimburse an outgoing DMERC for severance payments under the following conditions:

- The DMERC shall have an established, written severance policy in place and it must be found to be reasonable by the Government; and

- Severance pay shall only be paid to employees of cost centers whose function is directly servicing the Medicare contract at the time of the termination notice if such cost center is eliminated or its staffing level is decreased due to the termination.

Severance pay normally will not be paid to outgoing DMERC employees if:

- The employee has been or will be hired by the DME MAC or another Government contractor associated with the DME MAC where continuity for prior length of service is preserved under substantially equal conditions of employment (FAR 31.205-6(g)(1)); or

- The employee has been hired by the outgoing DMERC's private lines of business or by one of the outgoing DMERC's subsidiaries or other member of a controlled group (see Internal Revenue Code, Section 1563); or

- The employee has received a written offer of employment by the DME MAC and has chosen to refuse that employment.

5.3   Retention Bonus

In certain transition situations, it may be necessary to provide retention bonuses in order to keep staff from departing prior to cutover. However, the end of a Medicare contract is not sufficient cause, in and of itself, to request retention bonus funds for work already funded in the Notice of Budget Approval (NOBA). The DMERC **MUST** contact the Contracting Officer if it believes that a retention bonus is warranted or necessary during the closeout period. CMS will review the retention bonus proposal and its justification. **Do not inform employees about any retention bonus prior to discussions and agreement with CMS. Failure to do so may put the DMERC at risk, since it may not be reimbursed.**

CMS's retention bonus policy is contained in a memorandum distributed to all carriers and intermediaries on November 15, 2000. See **Exhibit 3**. CMS will pay retention bonuses in accordance with the FAR 31.205-6. Under the FAR, to be allowable, compensation must be reasonable for the work performed. The payments must either be paid under an agreement entered into before the services are rendered or pursuant to the DMERC's established plan or policy. The basis for the bonus payment must be supported. There may be retention (stay on) and performance-based bonuses; a bonus may include elements of both.

While CMS expects the DMERC to adhere to the terms of its Title XVIII contract and FAR Part 31 and to perform within the funding limitations contained in the NOBA, it may pay for a transition retention bonus in certain situations. For a retention bonus to be reimbursable, the following conditions must be met:

- Funding has been approved by CMS in advance pursuant to a Supplemental Budget Request which adequately justifies the request.

- The cost is in compliance with the Title XVIII Medicare contract and the Carrier Fiscal Administration Manual.
- The amount is reasonable and is supported by documentation from the DMERC.

- CMS determines that the bonuses are necessary for the smooth transition of the work.

- The bonuses will not be paid to the designated employees until completion of the retention period.

5.4 Terminating Subcontracts

When the DMERC is notified that its Medicare contract will be terminated, it will need to invoke the automatic termination clause for any lease or subcontract that it has entered into under that contract. All subcontracts that are entered into by the DMERC should have an automatic termination clause. The clause is described in Article III of Appendix A of the DMERC's Medicare contract. If the DMERC finds that a subcontract does not include an automatic termination clause and the subcontractor will not abide by the provisions of the clause, the Contracting Officer must be contacted.

The automatic termination clause basically states that if the DMERC's Medicare contract is terminated, then any subcontract between the DMERC and another company shall be terminated unless otherwise agreed to by CMS and the DMERC. The notice of termination must be provided in writing to the subcontractor along with the date upon which the termination will become effective. If the DMERC wishes to continue the subcontract relative to its own private non-Medicare business after the Medicare contract is terminated, it must provide CMS written assurance that CMS's obligations will end when the Medicare contract terminates.

5.5 Licenses

Licensing agreements can affect a number of contractor activities including EMC software, mail, PC software, imaging equipment, and data analysis tools. The incoming DME MAC may wish to assume certain licenses held by the DMERC and those licenses should be evaluated on an individual basis. Licenses may be transferred if both parties agree and the language in the agreement allows for such a transfer. If the license agreement has no provisions for a transfer, or if the parties cannot agree to transfer terms, then no transfer can be made and the DME MAC will have to obtain a new license.

5.6 Asset Inventory

The DMERC will normally discontinue the acquisition of assets during its closeout unless it is absolutely necessary for the success of the transition. If there is any question about acquiring assets during the closeout period, the DMERC must contact the Contracting Officer.
The DMERC retains legal title and control of assets that it acquired on behalf of the Medicare program. It is responsible for disposing of those assets as quickly as possible after cutover or whenever the assets are no longer needed for Medicare. Assets not specifically furnished by CMS as government furnished property (GFP) or equipment

(GFE) are the property of the DMERC and may be kept, sold, or disposed of in accordance with the Federal Acquisition Regulations (FAR).

As part of its closeout activities, the DMERC must develop a fixed asset inventory for all Medicare related assets at all of its locations. It must reconcile the inventory with the fixed asset register that it maintains in order to assist CMS with the cost recovery of the assets. The inventory will include all real property, hardware, software, equipment, furniture, supplies, etc., that were purchased for its Medicare operation and reimbursed by CMS. It should show the residual value of the asset and its anticipated disposition. The inventory must be provided to the CMS Contracting Officer.

The DMERC should also provide the incoming DME MAC with a list of assets and other work-related items that it will not be retaining. This should be done as early in the transition as possible so that the DME MAC will have time to analyze, negotiate, and transfer any asset that is available from the DMERC. **It is CMS's preference that assets not being retained by the DMERC will be made available for sale or transfer to the DME MAC.**

5.7   Security Awareness

The outgoing DMERC should be cognizant of possible security breaches that may be caused by employees, once they are aware of their employment future. Unfortunately, some employees may resort to theft, system sabotage, or other types of disruption to the Medicare operation.   The DMERC should review its existing security measures and, given the circumstances, determine if they are adequate or need to be improved.

Chapter 6: CLOSEOUT OPERATIONS AND PROVIDING INFORMATION/ASSISTANCE

6.1 Operational Analysis

After the award of the DME MAC contract, the DMERC should begin to assess its Medicare operation and develop an approach for closing out its Medicare contract.

6.1.1 Streamlining Operations

The DMERC should identify administrative or workload activities that it believes should be discontinued due to the demands of the transition and its contract closeout. The DMERC should look at all operational areas with the purpose of streamlining activities so that it can focus resources on claims processing and maintaining quality control safeguards. Any general activities that do not affect claims processing operation, such as meetings, travel, training, etc., should be reduced or eliminated. Activities performed solely for the purpose of Contractor Performance Evaluation (CPE), e.g., internal quality reviews, statistical compilations, document maintenance should be analyzed to see if any efforts can be reduced or eliminated. Non-essential provider/beneficiary relations activities should be reviewed to see if any can be eliminated. Any CMS special projects will need to be analyzed. Projects not past development stage should be stopped; more advanced projects will be evaluated individually by CMS to determine continuation.

After analyzing activities, the number of full time employees that will become available due to the streamlining should be determined. All qualified surplus employees gained through streamlining should be reassigned to claims processing, compiling case files, documenting internal claims processing procedures, and other workload closeout activities.

6.1.2 Workload Assessment

The DMERC must analyze its claims workload and develop a realistic plan for reducing the claims backlog so that a minimal number of claims are transferred to the incoming DME MAC. This inventory reduction plan should include an estimate of the number of claims expected to be received each month by various claims categories, processing goals for each month of the closeout period, productivity and accuracy levels, and quality control safeguards. See **Chapter 4.10.1.**

6.1.3 Contingencies

The DMERC must consider contingencies in the event that staff losses affect operations or workload backlogs during the closeout. Plans should be developed to utilize overtime,

keying shops for data entry, or obtaining temporary employees. The DMERC may also consider having former DME Medicare employees who are currently employed in other parts of the organization reassigned to Medicare for the duration of the transition. It may also try to contact former Medicare employees to see if they may want to work part time. In addition, consideration may be given to move certain functions to the DME MAC earlier than originally planned.

6.2   Closeout Approach

After assessing its operations, the DMERC should prepare a document describing its proposed approach for the closeout period. The document should discuss what activities the DMERC is proposing to streamline, the workload reduction plan with productivity and accuracy levels, maintenance of personnel through severance pay and retention bonuses, staffing configurations, and contingency plans. The DMERC should consult CMS when developing its approach, as CMS will approve the final document. The Closeout Project Plan (CPP) will incorporate the DMERC's approach (see **Section 4.3**). Both the approach and the CPP should be submitted to CMS no later than 15 days after the kickoff meeting.

6.3   Deliverables

Prior to the kickoff meeting, CMS may ask the DMERC to begin gathering documents and information regarding providers, EMC, telecommunications, the physical storage of records, assets that may be available, etc. This type of information will be needed by the DME MAC to conduct its implementation activities and any pre-kickoff efforts will expedite the process.

At the kickoff meeting, or shortly thereafter, the DME MAC will provide a list of information that it believes is necessary for its implementation. This list is known as the deliverables list and will be a formal record of information, documents, etc., that the DME MAC is requesting from the DMERC and other parties involved in the transition. At the minimum, the deliverables list should contain a description of what is being requested from the DMERC (or other party), the date of the request, the requester's name, the requested due date, and the actual receipt date.

During the transition, the DME MAC will continue to refine and add to the deliverables list based on its operational assessment/due diligence and workgroup activities. It is important that the DMERC work with the DME MAC to ensure that everyone understands exactly what is being requested, that the information is applicable to the purpose of the request, that the DMERC has the resources available to fulfill the request, and that the timeframe for delivery is reasonable. Time will be of the essence, so it will be important for the DMERC to provide the information as quickly as possible, especially if certain information or documents are needed to assist in the DME MAC's initial operational assessment/due diligence.

See **Exhibit 4, Sample of Deliverables Requested from Outgoing Contractors** for the types of information and documents that a DME MAC may want to obtain from an outgoing DMERC.

6.4   Access to Information

It is possible that the DMERC may believe that the DME MAC's request for information or access to business operations is proprietary or is not warranted. If the DMERC believes there is reason not to release documents or provide access, it should contact the CMS Contracting Officer.

6.5   DME MAC Operational Assessment/Due Diligence

A key activity for the DMERC during the transition will be providing information about its DME operations to the incoming DME MAC. This information gathering process by the DME MAC is known by a number of different names: operational assessment, operational analysis, due diligence, and gap analysis. All functional areas (claims processing, medical review, provider education, Medicare Secondary Payment, financial, appeals, customer service, etc.) and all business operations and procedures will normally be analyzed. The extent of the analysis will be dependent upon the nature of the DME MAC's jurisdiction proposal.

6.5.1   General

It is important that the DME MAC gather as much information as possible regarding a DMERC's Medicare business processes, activities, unique arrangements, assets, documentation, and overall Medicare business operations. This will allow the DME MAC to determine if changes need to be made to its implementation approach, operational design, or project plan. It will also facilitate the absorption of the workload into the DME MAC's operational environment, help ensure a smooth transition, and lessen any impact to beneficiary and providers. The operational assessment may also help the various workgroups in developing their issues log/action items list.

The assessment and documentation of the DMERC's operation will include internal policies and procedures, business processes, functional work flow, files, and staff analysis. This will help in refining the DME MAC's resource requirements. Standard operating procedures will be reviewed, along with quality assurance processes and standards. Procedural differences and/or local variations of the claims process should be made known to the DME MAC.

Depending on the DME MAC's proposal, it may also ask for workload data and inventory statistics by functional area, as well as productivity rates and production capacity. The DME MAC will assess workload in progress and obtain specifics on the amount of Medicare files and records in storage, both on-site and at remote locations. The DME MAC will be interested in obtaining Contractor Performance Evaluation (CPE) or Report of Contractor Performance (RCP) documents, as well as any audit findings.

Any internal process improvement or CMS performance improvement plan (PIP) will be reviewed to obtain information on performance or quality problems. The DME MAC will also need to know if there are any special CMS projects, initiatives, or activities and the specific time frames for completion.

The DME MAC will make a concerted effort to complete an initial assessment within the first month of the transition so that any changes to its implementation approach or Implementation Project Plan (IPP) can be negotiated with CMS and incorporated into its "baseline" IPP. The DMERC will continue to assist the DME MAC's operational assessment and information gathering throughout the transition period as part of the work effort of the various transition workgroups.

The DMERC will be contacted by the DME MAC to schedule a site visit. Agreement will need to be reached on such items as dates, times, frequency of visits, number of staff, and availability of on-site working space for the visiting DME MAC. There should be a discussion of the types of information that the DME MAC hopes to obtain and the operational areas it would like to review.

The DMERC's workload reduction plan and performance will be monitored throughout the transition period. Depending on the DMERC's performance and the progress of the transition, the DME MAC may propose to move certain functions earlier than scheduled. For example, if the DMERC suffers a severe staff loss among customer service representatives, the DME MAC may propose to take the work prior to the established cutover date. Should such a situation arise, CMS will discuss the proposal with all parties involved and reach agreement as to how to proceed.

The following are some of the areas or activities that the DME MAC will analyze as part of its overall assessment/due diligence:

6.5.2   Edits

CMS requires every Medicare contractor to maintain certain edits in its claims processing system. However, the contractor has discretion with other edits in the system, known as local edits, and may choose to suppress or modify them. If the DME MAC proposes to change an outgoing DMERC's local edits, it must analyze the change to determine if there will be any impact to the provider community. The DME MAC should attempt to keep the outgoing DMERC's existing local edits to the extent practicable. If it believes that an edit should be changed, CMS must be consulted. It is very important any edit/processing changes are clearly communicated to providers and submitters early and often in bulletins, special newsletters, and/or training seminars/ workshops.

6.5.3   DMERC Workload and Inventory

As soon as the DME MAC award is made, CMS will begin monitoring the outgoing DMERC's performance and workload on a weekly basis. CMS will provide this workload information to the DME MAC along with any DMERC operational issues that

arise. If necessary, the DME MAC will take appropriate action to modify its implementation activities or risk mitigation/contingency plans. See **Chapter 4.10.5**.

6.5.4 Staffing Levels

CMS will also monitor the staffing levels of the DMERC by the functional areas of its Medicare operation. The DMERC will provide a weekly breakout of staff showing staff losses by area, transfers within the DMERC operation or to other areas of the company, new hires (temporary or permanent), and staff in training. The DME MAC will be provided a copy of the report. Based on workload and staffing reports, it is possible that CMS, in consultation with the DME MAC and DMERC, will decide to move a particular function to the DME MAC sooner than originally planned. Should this occur, the DME MAC and DMERC project schedules and costs would need to be modified accordingly. See **Chapter 4.10.7**.

6.5.5 Internal Controls

The DME MAC will be looking at internal controls (also known as management controls) since DMERCs must annually evaluate and report on their control and financial systems for program integrity. The DME MAC will be looking at controls that ensure that costs comply with applicable law, assets are properly safeguarded, and revenues (e.g., overpayments) and expenditures are properly accounted for. The DME MAC will review the internal control indicators, particularly if it intends to hire the management and/or staff in a turnkey operation. The DME MAC will normally review Chief Financial Officer (CFO) audit reports, Statement on Auditing Standards No. 70 (SAS 70) audit reports, as well as the DMERC's own reports on internal controls—such as the Certification Package for Internal Controls (CPIC).

6.5.6 Contractor Performance Evaluation

The DME MAC will request to look at recent Contractor Performance Evaluation (CPE) reviews. If a Performance Improvement Plan (PIP) in place as a result of a CPE review, CMS must make a determination as to its continuation during the transition.

If the DMERC will have a contractual relationship with the DME MAC (such as a subcontractor or a partnering arrangement), or if the DME MAC will retain the DMERC's staff/facilities in a turnkey operation, then the following may occur: 1) the PIP may be closed because of the DME MAC's processes or procedures; or 2) if it cannot be closed, the DME MAC must complete any outstanding parts of the PIP after cutover or develop an alternative PIP. If there was a deficiency that was found but no PIP was submitted, then CMS will review the nature of the deficiency with the DMERC and the DME MAC to determine if the deficiency can be eliminated prior to cutover or if it will be necessary for the DME MAC to develop a post-cutover PIP.

If there will be no contractual relationship with the outgoing DMERC or if staff will not be retained, there should be no need for the DME MAC to become involved with the PIP,

other than having knowledge of its existence and determining if it will affect its own operation.

6.5.7   Functional Area Assessments

As part of its operational assessment, the DME MAC will need to review information and processes for the following functional areas:

6.5.7.1   Claims Processing

The DMERC will need to provide workload data for all claims processing areas for the current and preceding year. High volume edits, returns, and rejects should be provided, along with any contract compliance and/or service issues. Any backlogs should be identified so that the DME MAC can determine if it would be advantageous to move certain functions earlier than planned. Any unique processing requirements, special claims processing arrangements, or information on demonstration projects should also be provided.

The DME MAC will be interested in obtaining claims operations documentation so that it can review claims controls, reason codes, monitoring and reporting procedures, quality assurance processes, and the compliance edit process. This will assist the DME MAC in determining procedural differences between its operation and the DMERC's. The DME MAC will also normally request to review desk procedures and management reports.

6.5.7.2   Customer Service

The DME MAC will need to review provider service policies and procedures so that it can determine procedural variances. A listing of top reasons for inquires will be helpful, as will a listing of providers (including provider number) with high call volumes. Also, a list of challenging providers with consistent issues should be provided.   The DME MAC should also review complaint analysis summaries for the past year, if applicable, and evaluate the number of unresolved pending complaints. In addition, the DMERC should provide a historical analysis and trending reports for the past two years.

The DMERC should provide current workload data (open provider written and telephone inquiries). The DME MAC will analyze data on call backs, email inquires, the logging and tracking of calls and written inquiries, quality call monitoring, and any walk-in activity. Copies of quality focused audits performed in past year and any CPE, OIG, or other external reviews should be provided. The DME MAC may also ask to examine items as automation for correspondence generation, forms, listings, and routine reports.

6.5.7.3   Medicare Secondary Payer (MSP)

The DMERC will need to provide MSP documentation so that current operations, desk procedures, and management reports may be analyzed. The DME MAC may ask for copies of MSP reports relative to workloads and pending caseload. Also, a list of all

open/active cases and correspondence may be requested. The DME MAC should review MSP prepayment claims processing, MSP post payment activities (pending subrogation liability cases, IRS/SSA/CMS data match files and outstanding cases, routine recovery), and MSP debt referral (DCIA process).

The DME MAC should review the status of MSP accounts receivable and will normally observe the AR review that is conducted by CMS. The DME MAC will need to determine the status of the MSP accounts receivable write-off and identify and reconcile MSP accounts receivable for its 750/751 reporting. See **Chapter 8.7.**

6.5.7.4   Appeals

Information should be provided to the DME MAC regarding appeal procedures, including the status of any first level appeals (redeterminations) that are in progress. The DMERC should develop an estimate of the redeterminations that will be completed prior to cutover and those that will be forwarded to the DME MAC. Also, the DMERC will need to identify any redeterminations forwarded to the Qualified Independent Contractor (QIC), any outstanding requests from the QIC for reconsideration case files, and/or any effectuations that are in progress.

6.5.7.5   Provider Education and Training

The DME MAC will need to obtain training history from the outgoing DMERC. This includes the locations of meetings, topics, frequency, attendee mailing information, and telephone numbers. The DME MAC may also wish to review training materials such as presentations, curriculum, and manuals/ handbooks. The DMERC's provider bulletins and newsletters from the past two years may be of benefit as the DME MAC develops its education and training plans.

6.6   EDI Assessment

The DMERC must provide the DME MAC with a complete listing of all vendors, suppliers, providers, and trading partners who are currently submitting electronic transactions. The DMERC should also provide Electronic Remittance Notice (ERN) and Electronic Funds Transfer (EFT) information, as well as EMC submission rates.

Since the DMERC's EMC network will not continue to forward Medicare data (except in an unusual circumstance that would require agreement by all parties), the DME MAC must move vendors/suppliers/providers to alternate clearinghouses or to direct billing. If the DMERC's EMC submissions come into a corporate network and are co-mingled with corporate files, those files must be separated so they can be furnished to the DME MAC. The DME MAC needs to be aware of any special DMERC claim edits and any information (other than claims) that is accepted in a paperless manner.

CMS has determined that EDI submitters will not have to complete new EDI enrollment forms when the new DME MAC assumes the workload. Existing forms will need to be inventoried and must be transferred to the DME MAC at cutover.

6.7 Print/Mail Operations

The DME MAC may analyze mailroom workflow, functions (control, imaging, activation, etc.), and operations to determine how mail functions will be transferred. Analysis will be largely dependent on whether or not the DME MAC will assume existing space or have some presence in the outgoing contractor's geographical area. A breakout of the types of mail received and the average volumes by day should be provided to the DME MAC, along with the volume of system generated and non-system generated mail.

Agreement will have to be reached on how existing mail will be transferred at cutover and how mail received by the DMERC after cutover will be forwarded to the DME MAC. There will also need to be an agreement on how checks that are received after cutover will be handled. A decision will have to be made on the disposition of post office boxes and whether or not any of the boxes will be transferred to the DME MAC. The DMERC should also provide the DME MAC with information on any mail services contractor that it uses for pick up, delivery, presorting, metering of letters, etc.

Print job requirements, formats, and processes will be analyzed by the DME MAC. Information regarding usage trends for letterheads, envelopes, and internal forms should be provided. The DME MAC may also ask to review sample MSNs, provider remittance advices, letters, and reports.

6.8 File Inventory

The DMERC must identify all files that will need to be transferred to the DME MAC. The DME MAC should also be made aware of any DMERC files that will be split and moved to another DME MAC or organization during transition period.

6.8.1 General

An inventory of Medicare files (electronic data files, hardcopy, microfilm, microfiche, tape files, etc.) to be transferred must be developed as soon as possible after contract award. Files that are in a proprietary format will need to be converted to a standard or flat file format. The inventory should include the file content description, data set information, tape and file processing methods, and record information. The inventory shall be provided to the DME MAC with a copy to CMS. All required updates to files **shall** be made prior to transfer. **Exhibit 5, Files to be Transferred to a Medicare Administrative Contractor** provides a sample list of the types of files that an outgoing contractor should be providing to an incoming DME MAC.

6.8.2   Disposition

All Medicare files in the possession of the DMERC must be transferred to the DME MAC. The only exception to this requirement is that the outgoing DMERC may keep its administrative financial files to prepare its final cost report. Any files that are not transferred to the custody of the DME MAC or required by the outgoing DMERC to perform closeout financial functions **MUST** be destroyed and certified as such.

6.8.3   Mainframe Files

The movement of mainframe files may be internal or external, depending on where the files are located. The structure of all the files will need to be provided to the DME MAC, along with a description of each directory. Support files such as print/mail, EDI, financial, and ad-hoc interfaces must be included. Passwords will need to be removed from the files. The actual transfer method/process must be agreed upon with the DME MAC, with responsibilities acknowledged.

6.8.4   LAN/PC-Based Files

LAN/PC-based files may need to be provided to the DME MAC at cutover. These files include Excel spreadsheets, access databases, and emails. The DME MAC will review LAN file listings and transfer protocols similar to mainframe files will be established.

6.8.5   Hardcopy Files

The DME MAC must be provided with a detailed inventory of the DMERC's hardcopy files and an accompanying description of the files, including general contents, size, etc. All paper files (archived and active, on and off-site) shall be inventoried. Off-site storage site information (location, type of files stored, content, volume, security, etc.) will need to be provided.

Once the inventory has been prepared, the DME MAC must determine whether to keep existing storage arrangements or move the files to another location. A schedule with shipping dates should be developed for any files to be moved. A meeting should also be scheduled with the DME MAC and the storage facility to discuss transfer activities and access. If requested, the existing storage site contract should be provided to the DME MAC so that it can determine if it can assume the contract or will have to negotiate a new agreement.

6.9   Access to Files and Records after Cutover

There may be a need to access Medicare files and records after cutover in order to meet certain audit or reporting responsibilities or to respond to litigation that may be in process. If such is the case, the DMERC should negotiate with the DME MAC regarding access to the Medicare files/records that were previously in its possession. A Memorandum of Understanding (MOU) regarding the protocols and responsibilities of

each party and the associated costs should be executed. CMS must approve the MOU that is developed and must approve any request by the former DMERC for access to Medicare files/records.

6.10 Assisting DME MAC Communication Efforts

The DME MAC must make sure that providers have a complete understanding of what will be required of them during the transition and the impact of any changes that will occur. It will also be responsible for communicating information regarding the progress of the implementation to beneficiaries and other stakeholders. In order to do this effectively, the DME MAC will need to partner with the DMERC to ensure that information is transmitted clearly and frequently during the transition period.

6.10.1 General

The DME MAC will have a communication plan that outlines the processes and procedures that it will follow to ensure that all stakeholders are provided with appropriate information regarding the transition. This plan will have been submitted with the DME MAC's proposal, but after award, the DME MAC will work with the DMERC to refine its communication strategy and plan.

The outgoing DMERC will be a valuable resource to the DME MAC and will have detailed practical information for communicating with the various provider groups, associations, government officials, and other stakeholders within the jurisdiction. CMS expects that the DMERC will assist in providing information to beneficiaries and providers throughout the transition period in accordance with the mutually agreed upon communication plan. Methods for communicating information include using DME MAC-developed language for MSNs and Remittance Advices, articles for newsletters, scripts for the ARU/IVR, and website links to the DME MAC's website.

6.10.2 Provider Communication

Provider communication will be one of the most important activities for the DME MAC during the transition. Providers are affected most by the change in Medicare contractors and they have a large financial stake in the project. As such, the DME MAC must ensure that it makes every effort to inform and properly educate providers about the transition. CMS expects that the DMERC will assist the DME MAC in its provider communication efforts.

6.10.2.1 Associations

It is important for the DME MAC to establish a relationship with the major professional organizations such as supplier associations, medical societies, and specialty groups. The DMERC will need to provide information and contacts for provider groups. The DMERC should discuss its working relationship with these groups and provide the DME MAC with contact points. When regularly scheduled provider/association/ specialty group

meetings are held, the DME MAC should be invited to attend so that it can be introduced and make a presentation. The DME MAC should also attend Provider Advisory Group (PAG) and/or Provider Communication Advisory Group (PCOM) meetings.

6.10.2.2   Providers

A complete list of providers should be given the incoming DME MAC. The list should include such information as name, address, contact person, email address, Employer Identification Number (EIN), and EMC information. The DMERC should work with the DME MAC to develop articles regarding the transition for provider bulletins and other publications. Approximately two months prior to cutover, the DME MAC will develop language for Remittance Advices that will remind providers of the change in Medicare contractor.

6.10.2.3   Workshops

The DME MAC may hold provider workshops or seminars to provide a more detailed discussion of how to prepare for the upcoming change of contractor. Topics will include EMC and front end changes, claims submission and address changes, dark days, edits, and the possibility of increased suspension/rejection of claims. The number of workshops will normally range between six and twelve and are scheduled six to ten weeks before cutover.

The DMERC can prove valuable assistance to the DME MAC in planning provider workshop/seminars/training sessions. It can provide input to the workshop schedule, content of the presentation, proposed meeting locations, hotels, and meeting facilities. If possible, a DMERC representative should be in attendance at each session to provide assistance to the DME MAC with its presentation.

6.10.3   Beneficiary Communication

As with providers, the DMERC should assist the DME MAC with its beneficiary communications. The following contacts should be provided to the DME MAC for its communication efforts:

- beneficiary associations and groups such as AARP.
- state and local government agencies dealing with the aged.
- Social Security Administration district offices.
- senior citizen centers.
- community centers/libraries/retirement centers.

The DMERC should also assist the DME MAC in its efforts to provide transition information to beneficiaries and related groups. Regularly scheduled beneficiary outreach and beneficiary advisory/advocacy group meetings should be attended by the DME MAC. The DMERC can help the DME MAC assess demographic and language

needs and help the DME MAC develop language for mail stuffers or MSN messages. These messages should begin approximately two months prior to cutover.

Chapter 7: CUTOVER AND POST-CUTOVER ACTIVITIES

7.1   Definitions

Cutover

The actual point at which the DMERC ceases Medicare operations and the DME MAC begins to perform those functions.

Cutover period

The period of time surrounding the actual cutover. It usually begins 10-14 days prior to the cutover and ends with the DME MAC's Operational Start Date, which is defined as the day that the MAC begins normal Medicare operations for the DME workload that it assumed from the DMERC at cutover. During the cutover period the DMERC makes final preparations to shut down its operation and transfer its claims workload and administrative activities. Correspondingly, the DME MAC makes final preparations for the receipt and utilization of Medicare files, data, and acquired assets. The activities that occur within the cutover period and shown on the cutover plan (see **Chapter 7.2** below) are normally referred to as cutover tasks.

Post-cutover

The period of time after the actual cutover when the outgoing contractor is no longer operating as a DMERC but is performing miscellaneous wrap-up tasks and contract closeout activities.

7.2   Cutover Plan

The DME MAC will be required to submit a cutover plan for the DME workload that will be moved.   The cutover plan will contain very detailed and specific information, showing tasks at a very low level, and it may be detailed to an hourly level at times. Many incoming and outgoing contractors use the plan as a checklist and to script events and deliverable dates during the cutover period.

While the cutover plan is the responsibility of the DME MAC, it must be developed jointly with the outgoing DMERC. The DMERC must work with the DME MAC to determine a complete list of cutover activities, dates, and times. There should also be input from the data center, the PSC, and any other entity that will be playing a significant role in the actual transfer of the DMERC workload. The consolidated plan should show the responsible organization, any related Implementation Project Plan task number, the responsible workgroup, the task description, start and finish times, status, and comments.

All entities must agree on the schedule and tasks in order to avoid confusion about time frames, specific cutover responsibilities, items to be transferred, and terminology. The DME MAC will submit the cutover plan to CMS for review. The plan will be distributed to all involved parties, transition team members, and workgroups. The plan will be updated daily when the cutover period begins.

7.3   Cutover Workgroup

A cutover workgroup will normally be established to manage cutover activities. It should be composed of representatives from the DME MAC, DMERC, and other involved parties; e.g., data center, PSC, etc. The workgroup will be responsible for cutover planning and scheduling, developing the cutover plan, and facilitating the data migration. As with all workgroups, it should be established in accordance with **Chapter 3.8.** Since the activities of the workgroup are centered on the cutover, the workgroup will not necessarily need to be established when the other workgroups are formed at the kickoff meeting. However, the DME MAC may find it helpful to have the workgroup lead designated at that time. The cutover workgroup will normally be formed three to four months prior to cutover.

The cutover workgroup will need to be aware of all of the other workgroups and their activities. It is important that all workgroup meeting minutes and issues/deliverables logs are forwarded to the cutover workgroup lead.   The group must be informed of any decisions made by the DME MAC Project Manager, the DMERC Closeout Project Manager, or other workgroups which will impact the manner or circumstances of the transfer of the workload. The other transition workgroups will provide input to the tentative cutover tasks and timing developed by the cutover workgroup. They will propose additions and/or deletions to the task list and recommend any schedule change. With the input from all of the other workgroups, the cutover workgroup will coordinate the cessation of activities (file changes, mail, etc.), determine the necessary production interruptions (EMC, OSA queries), establish dark days, and schedule and monitor the actual transfer of files and assets.

As with any other workgroup, cutover meetings will be held weekly and the agenda will follow the same format, including discussion of cutover issues, action items and accomplishments. Meetings should also discuss transition task progress, current inventories, risk evaluation, file transfer, and any facility or human resources updates. All issues that are identified by CMS, raised in the status reports or workgroup minutes, or raised in any other forum, must be placed on the issues log documenting cutover issues and discussed at each workgroup call.

7.4   Daily Cutover Meeting

Approximately 10-14 days before cutover, daily cutover teleconferences should begin. Attendees will include the outgoing DMERC, the DME MAC, the data center, PSC, and any other organization directly involved in the cutover. The purpose of the meeting is to

go over the cutover plan and the daily events that are scheduled to occur. Calls should be scheduled at the beginning of the day and normally will be brief in length. Participants will review the cutover plan checklist of activities scheduled for the day and determine if tasks scheduled for the prior day(s) have been accomplished. The meeting will also discuss activities for the upcoming day to ensure that everyone is in agreement as to what needs to be accomplished. In addition, the meeting should review any problem log or issues identified by any of the other workgroups that pertain to the cutover. Key personnel involved in the cutover should have a backup means of communication so that they may be able to be reached in case of an emergency. Cutover meetings will continue on a daily basis through at least the first week of post-cutover operation. At that point, CMS will make a decision as to the frequency of the meetings. The DME MAC should prepare a brief synopsis of the daily cutover meeting with any issues or action items and update the cutover plan prior to the next daily meeting.

7.5   System Dark Days

One of the issues for discussion and resolution by the cutover workgroup will be the number of system "dark" days that will occur during cutover. A dark day is defined as a day during the regular work week during which the Medicare claims processing system is not available for normal business operations. System dark days occur between the time that the outgoing DMERC ends its regular claims processing activities and the DME MAC begins its first day of normal business operations.

The outgoing DMERC must complete all billing cycles, validate payments, cut checks, and prepare required workload and financial reports prior cutover and the end of its Medicare contract. The DME MAC must verify that all hardware, software, telecommunications, and equipment are installed, tested, and properly functioning after the cutover. In addition, the DME MAC will also need to run limited cycles for checkout of the files and claims processing functions. The data center will also be changing contractor numbers or identifiers for reports, database tables, etc.

The claims processing system cannot provide current information or process claims during the aforementioned cutover activities and is considered "dark." Because CMS wants to limit the number of dark workdays, cutover normally occurs around a weekend at the end of the month. However, most cutovers require more than just the two days that a weekend provides, which means that there will normally be at least one "dark" business day.

The outgoing DMERC, DME MAC, and data center must develop a cutover schedule that provides sufficient time to accomplish all of the cutover activities. Once this is done, then the number of dark days can be determined. The number of dark days necessary at cutover will vary depending on the calendar, the size of the DMERC, the length of time required for its final cycles and closeout activities, and the various other cutover activities that have to be performed. Most DMERC cutovers will require 1-2 dark days. CMS should be involved in the dark day discussions. Acceptance of the cutover schedule and number of dark days will be reflected in CMS's approval of the cutover plan. During

dark days, providers and submitters may submit claims for payment, but those claims will be held and transferred at cutover to the DME MAC. Only very limited DME business functions will be able to be performed during dark days.

7.6   Data Migration

During the cutover period, the DMERC will prepare and transfer all Medicare files and records to the prescribed locations detailed in its file transfer plan. This plan will be developed with the DME MAC and any other party who will be receiving files from the DMERC.

7.6.1   Final Inventory

The DMERC will provide an inventory of all files and records that will be transferred to the DME MAC and any other organization involved in the transition (see **Chapter 6.8.)** During the cutover period, the inventory will be finalized and provided to CMS and the DME MAC. The final inventory shall give a description of each file, including contents, size, etc. The inventory list will be used by the workgroups or project managers to determine where files and records will reside after cutover. If a DMERC has more than one operational site, an inventory must be prepared for each site.

Once the records have been inventoried, both the DMERC and DME MAC should verify them to determine the quality of the inventory results. If records are not electronic, physical sampling should be performed to confirm the accuracy of the information recorded on the inventory form. The DME MAC may also want to verify, to the extent possible, that all required updates to records have been made by the outgoing DMERC prior to transfer.

7.6.2   File Format

Files scheduled to be transferred to an incoming DME MAC in an electronic format must not be in a proprietary format which would preclude the use of the data by the DME MAC. Any electronic files stored in a proprietary format **MUST** be changed to a standard or flat file format prior to transfer to the incoming DME MAC. The costs associated with converting files from a proprietary format shall be borne by the DMERC.

7.6.3   File Transfer Plan

After the final inventory has been prepared, a file and record transfer plan will need to be developed with the DME MAC. Files may be 1) transferred to the DME MAC's operational facility; 2) kept at the existing operational site or existing storage facility with transfer of ownership (turnkey); 3) sent to a DME MAC storage facility or contracted storage facility; 4) transferred to another DME MAC due to jurisdictional realignment; or 5) in the case of duplicative files, destroyed.

The file transfer plan should describe the files and records to be transferred by type (suspense, EMC, audit and reimbursement, MSP, etc.), method of data transfer (e.g., tapes, NDM), transfer protocols, and destination. It should also establish a schedule for the transfer of the workload with shipping dates and times. In addition, the plan should provide DMERC cutoff dates for updating or processing particular types of claims or files. The plan should also provide a description of the method of manifesting, packaging, and labeling all claims and correspondence. The DME workload could be transferred by phase rather than all at one time, especially if there is serious staff attrition in certain areas of the outgoing DMERC's operation. CMS must be provided a copy of the final file transfer plan at the beginning of the cutover period. Agreement must be reached on the schedule for the transfer. The DMERC and DME MAC should perform a test transfer of files prior to cutover.

7.6.4   Packing

The transfer plan should provide for the early packing of as many operational files as possible without any negative impact on operations. Normally, records will not be packed and moved all at one time. While the resources are available to do so, as many operational files as possible should be packed and shipped, thereby mitigating the possibility of records being packed and/or labeled improperly.

A labeling system should be used so that boxes are routed correctly to the DME MAC for operational use or storage. At a minimum, the label of each box of files should display the title of the record series, and the earliest and latest dates of the records in the box. CMS will be monitoring the process of packing and labeling beginning early in the transition process. CMS and incoming DME MAC representatives may make periodic on-site visits before files are shipped to make certain that the boxes are properly packed and labeled and that a detailed inventory has been prepared.

7.6.5   Transfer of Hardcopy Files and Physical Assets

The DME MAC will be responsible for the shipment of files and any physical assets (equipment, supplies, furniture, etc.) that it obtains from the DMERC. The cost of conveyance will be borne by the DME MAC. The DME MAC may have a representative at each of the outgoing DMERC's locations from which items will be shipped. These representatives will sample files to verify content and proper labeling and will ensure that they are loaded for the proper destination. They will also check assets against the acquisition list to verify that all are accounted for and in the proper condition. Invoices must be reviewed prior to shipping.

7.7   Sequence of System Cutover Activities

The sequence at cutover will involve the following system activities:

7.7.1   System Closeout

The DMERC will close out its system operations by performing its final batch cycle, final CWF queries, final payment cycle, and final weekly, monthly, quarterly, and yearly workload runs. A 1099 file will also be generated. Files shall be purged in accordance with applicable instructions regarding time requirements for the retention of Medicare records.

7.7.2   Back Up

The DMERC's data center will backup and verify the final data. The DME MAC and data center will determine how long the backup data will be available for inquiry after cutover, should it be necessary.

7.7.3   Transfer and Installation

If there is a change in data centers during cutover, files will need to be transferred. This would include preparation of programs and JCL to load the files and data bases. Regardless of any data center change, the final data would be loaded and system changes (user file changes, base system changes to VMS, release changes, non-base system changes) will be made. Changes could include: MSN and remittance advices, contractor identification number, print/mail interfaces, ARU/IVR scripts, etc.

7.7.4   Initial System Checkout

An initial system verification will be performed by the DME MAC. It will verify on-line connectivity and that the production system can be accessed. The transfer and availability of files will be checked, as will customer interface processes. The DME MAC will also determine if hardware, software, and equipment is installed and operating properly.

7.7.5   Functional Validation of System

The DME MAC will run cycles over the cutover weekend to check out operational functionality. This would include on-line data entry, claims activation, file verification (files accessible, formats proper, information correct, etc.), inquiries, batch processing, and testing. The first validation cycle normally will run claims and correspondence that were pending after the DMERC's last cycle. After the cycle data is validated, another cycle may be run to process claims entered specifically for the validation, correspondence, and backdated EMC files that were received and held during the DMERC's cutover activities. The DME MAC will verify system output after each cycle and will then make a decision regarding the commencement of normal business operations for the DME jurisdiction.

7.7.6   First DME MAC Production Cycle

The first production cycle will be run after the DME MAC's first day of normal business operations and the output will be validated. The cycle will include input from all functional areas and any additional EMC held from the cutover period, as well as

OCR/ICR. All aspects of the system should be verified; e.g. data entry, edits/audits, suspense, correspondence, adjustments, inquiry, etc. Interfaces and data output that will be transmitted must also be verified (EFT, EMC, CWF, etc.). All print/mail functions will be validated, including checks, remittance advices, MSNs, automated correspondence, and reports.

7.8 Cutover Communication

Communication with providers and submitters regarding the cutover and its impact is absolutely essential. Providers must be informed constantly and by numerous methods about the cutover and how their payments will be affected.

The DME MAC must coordinate its cutover communication efforts with the DMERC so that submitters are informed of the upcoming cutover and the change of Medicare contractor. While the DME MAC has the primary responsibility for communicating information regarding cutover activities, the DMERC should include as much cutover information as it can in any provider meetings, bulletins, MSNs, remittance advices, notices, stuffers, etc. ARU/IVR scripts may also be used.

The following list shows the kind of cutover information that providers and submitter will need to know:

- Cutoff dates for the submission of EMC and paper claims, redetermination requests, etc., to the DMERC;
- Last day the DMERC will make claim payment;
- Last date the DMERC will have telephone service for providers and beneficiaries;
- The first day the DME MAC will accept EMC claims;
- The first day the DME MAC will accept paper claims;
- The date when the DME MAC will begin the claim payment cycle; and
- The date when the DME MAC will begin customer service for beneficiaries and providers and the location of these services.

7.9 Post-Cutover Activities

At cutover, the DMERC will no longer be responsible for performing Medicare functions. However, it must continue wrap-up activities associated with the cutover and compile, verify, and submit a number of CMS reports. In order to do this, there must be a limited number of personnel available in the post-cutover period.

7.9.1 Post-Cutover Approach and Resources

The DMERC will need to assess what activities and responsibilities it will have after it ceases its Medicare operations. Generally, most activity centers around the preparation and submission of Medicare reports and the financial closeout of the contract. The number of resources, availability, and the time required in order to complete the activities must be determined. In addition, if personnel will not be available, then other staff must

be trained in order to properly complete the required tasks. During the cutover period, the Closeout Project Manager should identify necessary post-cutover resources, tasks, and timeframes and submit the information to the CMS Transition Manager.

If the DME MAC has hired the outgoing DMERC's staff in a turnkey operation, the outgoing DMERC should request that some of its former employees be allowed to perform post-cutover activities. Usually, post-cutover assistance does not require large amounts of time and incoming contractors have been willing to provide this help. However, a Memorandum of Understanding should be developed describing the activities to be performed, the personnel required, and the associated costs to be borne by the outgoing DMERC for this support.

7.9.2 Operations Wrap-up

After the actual cutover to the new DME MAC, the DMERC should review its closeout plan and the cutover plan/checklist to ensure that all tasks for which it has responsibility have been completed. It must verify that all Medicare files and documents have been transferred to the incoming DME MAC. It must also certify in writing that those files that were not transferred have been destroyed in accordance with CMS requirements. The DMERC will need to verify that Medicare employees are separated from corporate network systems/email and that security measures involving access to computers (internal and external) and facilities are in place, including those individuals who will need limited access to complete final reports. It should also ensure that all checks and correspondence from the final processing cycle have been released from the mailroom.

Daily cutover teleconferences will continue for at least the first week. CMS will then make a determination if the daily calls will continue, or if a weekly meeting will be sufficient. A representative should be available for the calls at least for the first week after cutover, especially if there are open issues involving the DMERC. Open issues must continue to be worked by the responsible parties until satisfactorily resolved.

7.9.3 Reporting Activities

The DMERC is responsible for the completion of all monthly and quarterly reports through the end of its Medicare contract. However, a number of reports cannot be completed at cutover and must be done after Medicare operations have ceased. Therefore, the DMERC must maintain the ability to submit the reports and have personnel available to gather data and verify its accuracy.

Normal CMS submission requirements will apply to the outgoing DMERC, which means that most reports will be submitted during the first month after cutover. However, some banking reports will take longer, since the DMERC must keep its bank account open for 6 months after contract end to process outstanding checks.

All reports through the outgoing DMERC's month of cutover (or through the day of cutover if it leaves mid-month) must be completed. The DME MAC will be responsible for completing all reports beginning with the first cycle run after cutover, so if cutover

occurs before the end of a quarter, the outgoing DMERC must share data with the DME MAC so that it can produce a quarterly report. If the DMERC believes that completion of a specific report is not possible or unwarranted, it must contact the CMS Transition Manager.

The following are a sample of some of the reports that will need to completed after cutover:

Financial

- CMS 750/751   CFO Reports
- CMS 1521   Payment Voucher Draws on Letter of Credit
- CMS 1522   Monthly Contractor Financial Report
- IER   Interim Expenditure Report for final month
- FACP   Final Administrative Cost Proposal
- CASR   Contractor Audit and Settlement Report
- ASCR   Audit Selection Criteria Report
- IRS Form 1099   Income

Other

- CMS 1565/1566 Contractor Reporting of Operational and Workload Data (CROWD) for month and quarter
- CMS 1563/1564 Monthly MSP Savings
- CMS 2591   Part B Appeals
- FOIA   Freedom of Information Act Report
- CSAMS   Customer Service and Management System Report
- SADBUS   Small and Disadvantaged Business Report

7.9.4   Lessons Learned

CMS asks that the DMERC maintain a list of activities that went well during the transition, problems that were encountered, and suggestions for improvement. It is hoped that the DMERC will have the ability to prepare a lessons learned document regarding its activities during the transition, as well as any that it might have observed from other participants in the process. Lesson learned are normally submitted 4-6 weeks after cutover. See **Chapter 4.10.12.**

7.9.5   Post-Project Review

Approximately six weeks after cutover, CMS will hold a post-project review meeting to discuss lessons learned from the transition. The meeting may be held in person or by teleconference, depending on the circumstances of the transition. The meeting will cover each major area of the transition and focus on the actions, methods, and processes used during the transition. Activities that went well will be discussed, as well as those that need improvement. Discussion should be frank and honest, with no areas off limits.

CMS understands that it may be difficult, but it hopes that every effort will be made by the former DMERC to attend the meeting. See **Chapter 4.11.6.**

Chapter 8:   FINANCIAL PROCESSES

8.1   General

The DMERC should meet with CMS as soon as possible to review policy and procedures for the financial aspects associated with closing out its operations and contract.   The DMERC must also coordinate activities with the incoming DME MAC to ensure that all financial accounts are in order and documents are properly transferred. The DMERC will need to estimate any additional costs that it may incur in order to maintain operations and support the DME MAC during the transition. In addition, termination costs must be developed so that contract closeout can be completed.

8.2   Transition Costs

Transition costs are those DMERC costs that relate to the transfer of its Medicare files, records, and workload to the incoming DME MAC. DMERC transition costs complement the related transition costs of the incoming DME MAC. They include such items as overtime, temporary staff to reduce workload, retention bonuses (see **Chapter 5.3**), the inventorying of assets, etc. Transition costs are non-recurring in nature and are funded as a productivity investment (PI).

Transition costs may be incurred at any time between the date of notice of termination (or notification of jurisdictional realignment) and the date that the incoming DME MAC assumes responsibility for the workload (cutover). While some transition costs may extend beyond the cutover date, most post-cutover costs are considered termination costs. Both the incoming DME MAC and outgoing DMERC incur transition costs.

DMERCs must request and obtain advance funding approval for all transition costs. Only those items and costs specifically approved and funded as transition costs may be charged to the transition PI.   Should the cutover occur during the fiscal year (rather than at the end of the fiscal year on September 30), ongoing funding in the NOBA will be reduced for the period subsequent to the cutover.

To be considered a transition cost, such costs must meet all of the following criteria:

- The costs are non-recurring and would not have been incurred except for the transition;
- The costs are incremental in nature;
- The costs are "used up" in the transition;
- The costs are not already included in the DMERC's ongoing budget; and
- The costs do not represent the necessary, ongoing costs of doing business.

It should be noted that the direct personal service costs of current employees (excluding management and "all other costs") may be considered as transition costs; however, they must be specifically identified and justified in the transition SBR.

The following costs are *NOT* transition costs:

- General Management

  Even though directly engaged in the transition, these costs would have been incurred regardless and are already included in the ongoing budget. Note: If the transition is large enough to require full time project management, the personal service costs directly related to the transition may be considered as a transition activity if fully documented as to cost and purpose.

- Overhead and G&A

  These costs normally would not be considered transition costs since they are already included in the ongoing budget. However, if the transition requires additional support in overhead and G&A that can be specifically related to the transition effort, those costs may be allowable. They would be identified as Other Direct Costs.

- Furniture and Equipment (F&E)

  These are necessary, ongoing costs of doing business which are "used up" over time, not during the transition.

- Material and Supplies

  Like F&E, these are necessary, ongoing costs of doing business.

- Facilities and Occupancy (F&O)

  The costs of existing facilities should not be reallocated to transition costs, as they are already included in the ongoing budget.

- Budget shortfalls

  Outgoing contractors must identify only the incremental costs related to the transition and should not include anticipated funding shortfalls unrelated to the transition.

- "All Other Costs"

  As defined in Medicare cost reporting, these are all non-personal service costs related to Medicare employees. These costs should not be charged as a transition cost since they are already included in the DMERC's budget. Incremental costs associated with

new employees may be considered as transition costs but must be specifically identified rather than included as part of a general allocation.

8.3   Transition Supplemental Budget Request

A Supplemental Budget Request (SBR) must be submitted to obtain funding as soon as the need for transition funding arises. The full amount of the request should be included in the SBR, even though the transition may span two fiscal years. Changes to closeout activities during the transition or unforeseen costs may necessitate the submission of additional transition SBRs.

If corporate commitments need to be made prior to a public announcement that the DMERC is leaving the Medicare program, contact the Contracting Officer immediately. CMS will make every effort to reach an early and timely agreement regarding the commitment of funds.   Failure to obtain CMS's explicit, written agreement and commitment of funds could delay or jeopardize reimbursement of expenditures.

The DMERC must send a copy of the SBR to Central Office at:

> Centers for Medicare and Medicaid Services
> Division of Financial Operations, OFM
> 7500 Security Boulevard
> Baltimore, MD 21244
> Mail Stop: C3-13-06

Once funding is approved, transition costs should be included in the monthly Interim Expenditure Report (IER) and later in the Final Administrative Cost Proposal (FACP). The FACP should be submitted no later than 3 months after the contract terminates, including any negotiated extension periods.

8.4   Termination Costs

Termination costs differ from normal Medicare contractor costs both as to nature and method of payment. Termination costs are only incurred by the outgoing contractor. Generally, termination costs will be incurred after cutover to the incoming DME MAC. Termination costs may include:

- Severance pay (see **Chapter 5.2**)
- Other forms of personal service compensation,
- Loss on disposition of Medicare assets,
- Direct costs for final financial and reporting activities, and
- Termination of leases.

Termination budgets and costs are **NOT** processed through the standard SBR, NOBA, IER, FACP procedure described in the Fiscal Administration manuals. Once termination costs can be reasonably estimated, a hardcopy of the termination budget should be

submitted to the appropriate Regional Office and to Central Office. Do not transmit a termination budget or cost reports on the Contractor Administrative Budget and Financial Management System (CAFM II). Termination costs are not to be included in the FACP; only vouchers may be used to claim reimbursement of termination costs.

To accurately estimate a termination budget, the DMERC will need to know the following information:

- The cutover date;
- The contract termination date, including any extensions;
- The number of employees that will receive severance payments considering: (1) attrition; (2) the number who transfer to the DMERC's other lines of business; and (3) offer of employment with the incoming DME MAC;
- Assets and leases that will be transferred to the DME MAC or otherwise disposed of; and
- The number of employees and time needed for post-cutover wrap-up activities.

CMS will review the termination budget and approve it in principle regarding categories of expenditures and amount. The DMERC should submit vouchers for reimbursement as costs are actually incurred and paid. All vouchers should be submitted within 7 months after cutover. These vouchers, which may include accounting extracts, must provide sufficient detail to demonstrate that the costs have been incurred and paid. CMS will review the vouchers and make payments as appropriate.

CMS expects that the DMERC will take all necessary actions to mitigate termination costs. It must discontinue the acquisition of assets that will likely result in a loss on disposition after cutover, unless it is absolutely essential to a successful transition. Any acquisition of such assets should have the approval of the CMS Contracting Officer. Since the DMERC retains legal control of assets acquired on behalf of Medicare, it must dispose of those assets as quickly as possible after cutover, or whenever the assets are no longer needed for Medicare. This will limit storage costs, loss in market value, etc. CMS's general preference is that Medicare assets be made available for sale or transfer to the incoming DME MAC. Other methods of disposal could include sale on the open market, transfer to private lines of business, or destruction.

8.5   Bank Accounts and Reports

The DMERC must inform its bank that it will be leaving the Medicare program and establish procedures for closing its Medicare bank account. The DMERC's Medicare bank account should be kept open for 6 months beyond the cutover date to allow for clearance of outstanding checks. During this 6 month period, the letter of credit issued to the bank will remain in effect to allow the bank to request funds to cover all outstanding checks as they are presented for payment.

All CMS financial reports are required to be submitted on CAFM as long as there are account balances or activity on the reports. These reports include:

- Form CMS 1521, Payment Voucher Draws on Letter of Credit;
- TAA (pages 1 through 3) Time Account Adjustment Schedules and TAA1a, TAA1b, TAA1c;
- Form CMS-1522, Monthly Contractor Financial Report;
- Forms CMS-750A/B, Contractor Financial Statement;
- Forms CMS-751A/B and MSP, Status of Accounts Receivable.

8.6   Financial Coordination with the MAC

The DME MAC will need to establish the payment dates and payment frequency for its operation. The DMERC's payment schedule will need to be provided to the MAC, since it may influence its payment schedule decision. At cutover, the DMERC must provide the DME MAC with a voided check register and a final listing of outstanding checks. The DME MAC and the DMERC will need to coordinate procedures for handling stop payments, voided checks, and the reissuance of old outstanding checks.

Provisions must be made for the DMERC to forward checks and other Medicare mail to the DME MAC after cutover. The DME MAC will need to determine if its bank will cash a countersigned check made out to the DMERC. If it will not, the check will be sent back to the provider for reissuance.

8.7   Accounts Receivable Reconciliation

Medicare accounts receivable are a significant balance on CMS's financial statements and require special attention during the transition. The DMERC is responsible for the reconciliation of the accounts receivable for the workload that will be transferred to the incoming MAC. After the transition begins, CMS (or a contracted organization) will go on site to conduct an accounts receivable review of the DMERC. While the review is conducted, the incoming DME MAC may attend the review sessions to understand the process and the documentation that is prepared to support the reconciliation.

The DMERC should notify the DME MAC in writing of all outstanding accounts receivable at least 60 days prior to the date that they will be transferred. The written notification will include a transmittal document summarizing the number and value of the accounts receivable being transferred and an acceptance statement to be signed by the DME MAC. In addition to this transmittal, the DMERC will include a detailed listing showing each specific account receivable being transferred. The detailed listing must agree to the summary totals reflected on the transmittal document and will include the following data elements:

- Debtor's name, Medicare identification number, and EIN or TIN;

- Account receivable/overpayment amount being transferred that includes principal and interest;

- Account receivable types; e.g., Medicare Part B, MSP, or other;

- Type of account receivable; e.g., audit, medical review, duplicate payment, etc.;

- The current status of collection action; e.g., interim payments being offset, extended repayment schedule in effect, etc.; and,

The DMERC should also send the DME MAC the permanent administrative file for each provider/debtor being transferred. The file must contain all relevant information to support the accounts receivable being transferred; e.g., identity of debtor, refund requests and documentation to clearly support each accounts receivable/overpayment determination. If the workload is being distributed to more than one DME MAC, a transmittal document and the appropriate detail listing must be sent to each one. The DMERC should keep a file copy of the transmittal document and the summary listing and send copies to the appropriate CMS Regional Office(s) and the CMS Office of Financial Management, Financial Services Group, Division of Accounting, Debt Collection Branch in Central Office.

The DME MAC will certify the receipt of the transmittal document and return the receipt to the DMERC. The DME MAC will review and reconcile the accounts receivable transmittal document and the detailed listing with the administrative files transferred from the outgoing DMERC. The DMERC will be contacted if the DME MAC identifies a discrepancy regarding a specific accounts receivable. If the discrepancy cannot be resolved, the DME MAC will transfer the accounts receivable to the CMS project officer for resolution. The DME MAC has one year to review and accept all transferred receivables from the DMERC.

8.8   Financial Reporting for Accounts Receivable

The DMERC must retain copies of all documentation related to the transfer of accounts receivable, including the signed acceptance from the incoming DME MAC. In addition, it must report the value of receivables transferred to and accepted by the incoming DME MAC on the appropriate lines of the Form CMS 750 and Form CMS 751.

- Report on the Form CMS 750 under the Revenue and Expense sections (both interest and principal). Report the amount of accounts receivable on the line titled: "Transfers Out to Other Medicare Contractors (Interest/Principal)."
- Report on the Form CMS 751 under Line 5c, "Transfers Out to Other Medicare Contractors" and Section D, Transferred Receivables, Line 5c, "Transfers Out to Other Medicare Contractors."

All Medicare contractors, including those leaving the program, are subject to audit and may be required to provide supporting documentation for the values reported on the Forms CMS 750/751.

Also, include summary data in the "Remarks" section of the Form CMS 750 identifying the name of the acquiring DME MAC and the number and value of accounts receivable transferred as a result of transition activity. In the event accounts receivable are transferred to multiple DME MACs, the "Remarks" section must include the above information for each specific DME MAC.

8.9 PSOR Reconciliation

The DMERC must ensure that the principal and interest identified on the detail listing for each overpayment determination are current and reconciled with the supporting files and reported on the Physician and Supplier Overpayment Reporting system (PSOR).

8.10 Audits and Other Issues

An administrative cost audit will be conducted prior to the closeout of the contract. Costs for all open years, including termination costs, may be audited. Once all audits are completed, a global closing agreement will be used to close all open administrative costs. Pension, postretirement, self-insurance or other administrative costs left open in prior closing agreements will be closed in the global closing agreement.

The administrative cost audits will exclude certain pension, post-retirement benefit and self-insurance/captive insurance costs from the scope of the review. Costs claimed for qualified defined-benefit pension plan(s) will be always covered in a separate review by a specialized OIG audit team. Furthermore, if accrual accounting has been used to claim costs of any nonqualified defined-benefit pension or post-retirement benefit plans, those costs will remain also be covered by separate review a specialized OIG audit team. Costs claimed for self-insurance/captive insurance may be subject to separate review unless the DMERC can demonstrate that the premium rates are competitively priced.

The Office of Inspector General Act of 1978 as amended by the Office of Inspector General Act Amendments of 1988 and OMB Circular A-73 govern the audits of governmental organizations, programs, activities and functions, and funds received by contractors.

A separate pension audit will be conducted when there is a Medicare contract closing. Because some of the information needed for the pension audit will not be available until the DMERC has received the actuarial valuation for the first period after the contract performance ends, the pension audit is normally delayed for some time. Furthermore, if a pension audit has not yet been performed by a specialized OIG audit team, the DMERC can expect the pension audit to be quite extensive. Appendix B, Paragraph XVI.B of the Medicare contract provides a definition of the pension segment

The liability for costs of post-retirement benefit plans will be closed out on the cost accounting method used to determine the cost of the contract prior to termination. The termination or non-renewal of the contract does not alter the nature of the contract cost. The DMERC is reminded that changes in cost accounting method are prospective only.

The amount of any claim for liability accrued for post-retirement benefits are subject to audit besides separate review concerning entitlement.

The cost of self-insurance/captive insurance is limited to actual benefits payments plus reasonable administrative expenses unless the DMERC can demonstrate that premiums are competitively priced. When assessing the pricing of self-insurance premiums, the Office of the Actuary will review historical data on incurred losses, administrative expenses, retention rates and loss-ratios for groups that are similar in size, industry, benefit structure and geographic location.

As soon as a DMERC knows it will be leaving the Medicare program, it should contact the CMS Office of the Actuary or OIG Pension Audit staff to begin planning for the upcoming audits.

8.11 1099 Responsibilities

The DMERC shall retain responsibility for preparation and submission of the 1099's for the providers it serviced in the year that the cutover occurred (even if this period is less than one calendar year). This responsibility includes both the electronic reporting to the Internal Revenue Service (IRS) and the hard copy reporting statement for the providers. **These items shall be released on the normal 1099 reporting cycle.** During the transition, as part of the normal communication activities, providers must be reminded that they will receive two 1099s for the year—one from the DMERC and one from the DME MAC.

The outgoing DMERC shall produce separate 1099's for the Medicare line of business and shall modify the materials going to the providers to reference the incoming DME MAC's name, address and the telephone number for questions and any necessary restatement after the cutover date. If any provider reporting statements are returned as undeliverable mail after being mailed, the former DMERC shall forward them to the DME MAC.

The DMERC shall notify the IRS of the transfer of its Medicare operation to the DME MAC. It shall also request a waiver from the IRS that would allow the incoming DME MAC to file 1099 corrections to the IRS on paper. The DMERC and the DME MAC shall enter an agreement wherein the DME MAC will be provided the authority to correct 1099s on behalf of the DEMRC.

Medicare claims data used to prepare original 1099s and to research and/or correct prior years' 1099s is subject to the Privacy Act. Therefore, the outgoing DMERC shall complete any processing of claims data in preparation of the 1099s and shall forward the current and all prior year data to the incoming DME MAC no later than 60 days following the cutover.

The incoming DME MAC shall answer provider questions about 1099s prepared by the outgoing DMERC for the transition year and all prior years. It will be the incoming

DME MAC's responsibility to prepare corrections to 1099s originally submitted by the outgoing DMERC since it will possess all of the Medicare records and information pertaining to a provider.

LIST OF EXHIBITS

Exhibit 1
Transition Phases and Terminology

Exhibit 2
CMS Transition Oversight Organizational Chart

DME MAC CONTRACT ADMINISTRATION STRUCTURE

General Claims Processing (TM)
* Problem Resolution
* Payment
* Fee Schedule / CBIC
* Local System Edits
* Suspended Claims

Claims Systems (TM)
* Front End
* Back End
* VMS CWF
* EDI

Provider Customer Service Program
* Provider Outreach & Education
* Provider Contact Center (inquiries)
* Provider Self Service
* Congressional Inquiries
* Beneficiary Ombudsman

BCC Referred Complex Inquiries (TM) (CBC)

Internal Control (TM)
* SAS 70
* Policies & Procedures

Financial Reporting/Benefit Payment (TM)
* Banking Relations
* Overpayments
* Debt Collection
* Debt Referral
* Financial Accounting
* Financial Reporting

System Security (TM)
* Business Continuity
* Compliance
* Disaster Recovery

Infrastructure (TM)
* Data Center
* Telecommunications

PSC Support (TM)
* BI Support
* CERT Support
* MR Support

MSP (TM)
* Post Pay
* Pre Pay

NSC (TM)
* Supplier Enrollment
* Supplier Audit & Compliance

DAC (TM)
* HCPCS Coding
* National DMEPOS Claims History Data
* National Pricing Files for OACC
* Data Analysis

Appeals (TM)
* Reopenings of Initial Claims
* Reconsiderations (QIC Support)
* Redeterminations

Claims Processing BFL

Appeals BFL

Provider Customer Service Program BFL

PSC Support BFL

Fiscal Responsibility BFL

MSP BFL

System Security BFL

Infrastructure BFL

NSC BFL

DAC BFL

Contracting Issues

Contracting Officer

Project Officer

DME MAC

Contracting Issues

Programmatic Technical Direction

Contract Administration Team

Contract Monitoring / Evaluation

Contract Voucher Administration

Public Relations

Change Management

Technical Monitors

Business Function Leads

Exhibit 3
Letter to Outgoing Contractors

HCFA
MEDICARE · MEDICAID
Health Care Financing Administration

Health Care Financing Administration
Memorandum

November 15, 2000

TO: All Fiscal Intermediaries and Carriers

Dear Medicare Contractor:

Over the past several years, the Health Care Financing Administration (HCFA) has witnessed a significant increase in the number of Fiscal Intermediaries and Carriers leaving the program.   While each exit has its own set of unique circumstances, a number of common budget and cost reporting issues have arisen. Accordingly, HCFA has prepared the attached instructions in order to clarify HCFA's policies and procedures regarding the transition and termination or non-renewal costs incurred by a contractor exiting the program.

These instructions are intended to provide notice and to eliminate uncertainty regarding HCFA processes and reimbursement policies regarding these costs.   HCFA will incorporate these instructions into the Fiscal Administration Manuals, HCFA Pubs. 13-1 and 14-1, and the Transition Handbook for Contractors referenced in the attachments.

Sincerely,

_____   _____

Charles R. Booth   Marjorie Kanof, M.D.
Director   Deputy Director
Financial Services Group, OFM   Medicare Contractor Management, CBS

Attachments (3)
cc: All Regional Administrators
     All Consortium Contractor Management Officers
      Patricia C. Williams, CBS/MCMG

Exhibit 3
Letter to Outgoing Contractors (Cont.)

Attachment 1

Transition and Termination Costs
Budget and Cost Reporting Issues

These instructions apply to the costs incurred by an outgoing contractor which result from a contract termination or nonrenewal. Unless otherwise noted, for convenience, the terms termination and nonrenewal are used interchangeably throughout this document.

I. Outgoing Contractor Transition Costs.

Outgoing contractor transition costs may be incurred at any time on or after the date of the contractor's official written termination notice to HCFA through the date that the cutover of work to the incoming contractor occurs. While some transition costs may linger beyond the cutover date, most post-cutover costs are termination costs as defined in Section II below. Refer to the Transition Handbook for Contractors dated May 1999 for a discussion of cutover and transition activities. (The Handbook is issued to affected contractors at the inception of a transition.)

Transition costs generally relate to or complement the transition efforts of the incoming contractor. They are non-recurring in nature and are funded as a Productivity Investment (PI). Only incremental costs are chargeable to the transition PI; all non-incremental costs continue to be charged to the ongoing budget. Ongoing funds contained in the annual Notice of Budget Approval (NOBA) may not be used for the transition. See Section 1213.6/4213.6 for a discussion of PI and incremental costs. Note: All section references are to the Fiscal Administration Manuals, HCFA Publications 13-1 and 14-1 for the Fiscal Intermediaries and Carriers respectively issued in draft form in June 1998.

Contractors must request and obtain advance funding approval for all transition costs. Only those items and costs specifically approved and funded as transition costs may be charged to the Transition PI. Should the cutover occur during the fiscal year (rather than on September 30), ongoing funding in the NOBA will be reduced for the period subsequent to the cutover. As discussed below, termination costs are not funded in the NOBA.

A Supplemental Budget Request (SBR) must be submitted to obtain funding as soon as the need for transition funding arises. Include the full amount of the request even though the transition may span two fiscal years. Submit more than one transition SBR if necessary. If commitments need to be made prior to a public announcement of termination, discuss this with responsible HCFA personnel immediately. HCFA will make every effort to reach an early and timely agreement regarding the commitment of funds. Failure to obtain HCFA's explicit, written agreement and commitment of funds could delay or jeopardize reimbursement of expenditures. NOTE: See Section 1256/4256 for preparation and routing of SBRs. Send a copy of the SBR to Central Office at:

Exhibit 3
Letter to Outgoing Contractors (Cont.)

Health Care Financing Administration
Division of Financial Operations, OFM
7500 Security Boulevard
Baltimore, MD 21244
Mail Stop: C3-13-06

Once funding is approved, include the costs in the monthly Interim Expenditure Report (IER) and later in the Final Administrative Cost Proposal (FACP). Submit the FACP no later than 3 months after the contract terminates including any negotiated extension periods.

Retention Bonuses: HCFA's requirements regarding retention bonuses were outlined in a letter to all contractors dated May 21, 1999, restated in the FY 2000 Budget and Performance Requirements (BPRs), General Instructions, Section XVIII and are included below as Attachment 2. Review and conform to these requirements if it appears that bonuses may be appropriate and take into consideration at least the following circumstances in determining whether or not the bonus is reasonable and prudent for the work performed:

- The nature and timing of the transition to the incoming contractor, including whether or not employees may be retained by the outgoing contractor or employed by the incoming contractor.
- Geographic area and industry employment rates.
- Industry practices.
- Corporate severance policy and other elements of personal compensation.

Note that the bonus period shall not begin before the date on which announcement of termination is given to employees or extend beyond the cutover date. Retention bonuses are a transition expense and qualify as Compensation for Personal Services. It is the contractor's responsibility to demonstrate that this compensation is reasonable under the circumstances. See FAR 31.205-6.

It is essential that contractors obtain HCFA's prior, written approval of any and all potential commitments that could result in additional charges to the Medicare program. This emphatically applies to changes in compensation for personal ervices including the payment of retention bonuses. Contact HCFA immediately with any questions regarding HCFA's requirements.

II. Termination/NonRenewal Costs.

Termination costs are incurred by the outgoing contractor only, and generally after the cutover date. Termination costs do not pertain to the incoming contractor. Termination costs could include:

Exhibit 3
Letter to Outgoing Contractors (Cont.)

- Severance pay. (See Attachment 3.)
- Other forms of personal service compensation.
- Loss on disposition of Medicare assets.
- Direct costs of continuing operations (See Transition Handbook for Contractors).
- Termination of leases.

Contact HCFA as soon as possible to discuss the nature and applicability of these and possibly other termination costs to your situation. HCFA expects that the contractor will take all necessary, deliberate and diligent actions to mitigate termination costs. For example:

- The contractor retains legal control of assets acquired on behalf of the Medicare program and is responsible for disposing of the assets as quickly as possible after cutover or whenever the assets are no longer needed for Medicare. This will limit storage costs, loss in market value, etc.   HCFA's general preference is that these assets first be made available for sale or transfer to the incoming contractor. Other disposal actions could include sale on the open market or absorption in private lines of business.

- The contractor should discontinue the acquisition of assets, which will likely result in a loss on disposition after the cutover occurs, unless it is absolutely essential to a successful transition.

- The contractor should not enhance its established severance pay policy, once the termination is known, which may serve to increase rather than mitigate termination costs.

HCFA will discuss these and other expectations with the contractor prior to cutover. Termination budgets and costs are <u>not</u> processed through the standard SBR, NOBA, IER, FACP procedure described in the Fiscal Administration manuals. Do not transmit a termination budget or cost reports on the Contractor Administrative Budget and Financial Management System (CAFM II). Once termination costs can be reasonably estimated, submit a hardcopy of the termination budget to the appropriate Regional Office and to Central Office. (See routing and address in Section I.)

To reasonably estimate a termination budget, an outgoing contractor will need to know the answers to at least some of the following:

- What will the cutover date be and when will the contract termination, including any extensions, occur?

Exhibit 3
Letter to Outgoing Contractors (Cont.)

- How many employees may receive severance payments considering: (1) the number who transfer to the outgoing contractor's other lines of business; (2) attrition; and (3) offer of employment with the incoming contractor?
- What assets and leases may be transferred to the incoming contractor or otherwise disposed of?
- Who will be responsible for continuing operations and for how long?

HCFA will review the termination budget and approve it in principle as to category of expenditure and amount. The contractor should then submit one or more vouchers for reimbursement as costs are actually incurred and paid but all vouchers should be submitted within 7 months after cutover. These vouchers, which may include accounting extracts, must provide sufficient detail to demonstrate that the costs have been incurred and paid. HCFA will review the vouchers and make payments as appropriate.

Termination costs are not to be included in the FACP; only vouchers may be used to claim reimbursement of termination costs.

III. Audits and Other Issues.

Administrative Cost Audit: An administrative cost audit will be conducted prior to close out of the contract. All open years, including termination costs, may be audited. However, the closing agreement will be conditional, leaving the pension costs to be audited for the segment closing.

The Office of Inspector General Act of 1978 as amended by the Office of Inspector General Act Amendments of 1988 and OMB Circular A-73 govern the audits of governmental organizations, programs, activities and functions, and funds received by contractors.

Pension audit: A separate pension audit will be conducted if there is a Medicare pension segmentation closing. Because some of the information needed for the pension audit will not be available until the contractor has received the actuarial valuation for the first period after the contract performance ends, the pension audit is normally delayed for some time. Furthermore, if a pension segmentation audit has not yet been performed, the contractor can expect the pension audit to be quite extensive. See Appendix B, Paragraph XVI.B of the Contract/Agreement for a definition of the pension segment.

Services of Consultants. Review Section II of the Contract/Agreement regarding the services of consultants which require HCFA's prior contractual approval. Since these contracts require HCFA's prior approval, allow sufficient time to submit them and to obtain HCFA's approval prior to executing the contract, receiving services or otherwise incurring an obligation. Include sufficient justification in your request to demonstrate the need for all outside services.

Exhibit 3
Letter to Outgoing Contractors (Cont.)

Attachment 2

HCFA Retention Bonus Policy

This modified statement, originally issued in May 1999, clarifies HCFA's policy regarding reimbursement to Medicare contractors for retention bonuses paid to employees where the current Medicare contract/agreement is not renewed or is terminated. It applies to retention ("stay on") and performance-based bonuses, recognizing that a bonus may include elements of each.

HCFA will pay costs in accordance with the Federal Acquisition Regulation (FAR). Under FAR 31.205-6, to be allowable, compensation must be reasonable for the work performed. To be allowable, these payments must either be paid under an agreement entered into in good faith before the services are rendered or pursuant to an established plan or policy followed by the contractor so consistently as to imply, in effect, an agreement to make such payment and the basis for the award is supported.

HCFA requires that contractors adhere to the terms of the contract/agreement, the FAR Part 31, and to perform within the funding limitations contained in the Notice of Budget Approval (NOBA). Expiration of the contract is not sufficient cause, in and of itself, to request retention bonus funds to perform work already funded in the NOBA under the terms of the contract/agreement. However, HCFA may pay a retention bonus adopted for the transition of work from one contractor to another and paid by the outgoing contractor, to be reimbursable if:

- Funding has been approved by HCFA in advance pursuant to a Supplemental Budget Request which adequately justifies the Request. For funding to be approved, the following conditions must be met:

  - The cost is in compliance with the contract/agreement and the Intermediary and Carrier Fiscal Administration Manuals.

  - The amount is reasonable and is supported by documentation from the contractor. (See also Attachment 1, Section I above.)

  - HCFA determines that the bonus is necessary for the smooth transition of the work.

- The bonus will not be paid to the designated employees until completion of the retention period.

Exhibit 3
Letter to Outgoing Contractors (Cont.)

Attachment 3

HCFA Severance Payment Policy

This modified policy statement was initially issued to all Medicare contractors through HCFA's regional offices in February 1997. Contractors should review their own policies for conformance with ALL conditions described below. Failure to conform could put you at risk for reimbursement even if the current corporate severance policy is adequately presented in the Financial Information Survey accompanying the annual Budget Request.

The purpose of this document is to define those general conditions under which HCFA will reimburse an outgoing contractor for severance payments made to that contractor's employees. It is based on authority contained in FAR 31.201-4(b) and FAR 31.205.6(a), (b), and (g) which also requires that, in most instances, HCFA is liable for the severance costs stemming from the established, written policy of the contractor. The conditions surrounding the non-renewal or termination of the contract will, of course, differ and will determine the liability and extent of liability which HCFA may have in that situation.

Generally, HCFA will reimburse a contractor for severance payments under the following conditions:
- The contractor shall have an established, written severance policy in place and it must be found to be reasonable by the Government.
- Severance pay shall only be paid to employees of cost centers whose function is directly servicing the Medicare contract at the time of the non-renewal or termination notice if such cost center is eliminated or its staffing level is decreased due to the non-renewal or termination.

Generally, severance pay will not be paid to employees under the following conditions:
- The employee has been hired by the incoming contractor or another Government contractor associated with the replacement contract "where continuity for prior length of service is preserved under substantially equal conditions of employment." FAR 31.205-6(g)(1). OR
- The employee has been hired by the outgoing contractor's private lines of business or by one of the contractor's subsidiaries or other member of a controlled group. (See Internal Revenue Code, Section 1563.) OR
- The employee has received a written offer of employment by the incoming contractor and has chosen to refuse that employment.

Exhibit 4
Sample Closeout Plan

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
0		**Contractor Phase-Out**	**158 d**			
1		Contract Award	0 d			
2		**Kickoff Meeting**	**2 d**			**1**
3		**Executive Kickoff**	**1 d**			
4		Validate Records Access Agreement	1 d			
5		Full Kickoff Meeting	1 d			3
6		**Communications**	**137 d**			
7		**Termination Protocols**	**25 d**			
8		Notify CMS of Termination	1 d			
9		Notify Medicare Associates	1 d			
10		Formal Public Announcement	1 d			1
11		Medicare Associates/HR Meeting	1 d			
12		**Bi-weekly Conference Calls with CMS**	**31 d**			
13		Bi-weekly Conference Calls with CMS	31 d			
14		**Bi-Weekly Status Update Meeting**	**71 d**			
15		Bi-Weekly Status Update Meeting	71 d			
16		**Periodic CMS Reports**	**120 d**			
17		**Weekly Staff/Attrition Reporting**	**98 d**			
18		Establish Reporting Parameters	1 d			
19		**Staffing Report**	**96 d**			
20		Staffing Report submitted weekly	96 d			
21		**Performance/Workload Reporting**	**98 d**			
22		Establish Reporting Parameters	1 d			
23		**Workload Report**	**96 d**			
24		Workload Report submitted weekly	96 d			
25		**Phase-out Plan**	**120 d**			
26		Develop Initial Phase-out Plan	35 d			
27		Apply Incoming Contractor Tasks/Deliverables	10 d			26
28		Set Baseline/Forward to CMS	0 d			27
29		CMS Approval	5 d			28
30		**Update and Report Phase-out Plan**	**41 d**			**29**
31		Update and Report Phase-out Plan weekly	41 d			
32		Weekly Progress Reporting	0 d			
33		Weekly Phase-out Issues Log	0 d			39
34		**Project Administration**	**150 d**			
35		**Issues Tracking**	**3 d**			
36		**Establish Tracking Protocols**	**2 d**			
37		Organization	1 d			
38		Priorities	1 d			37
39		Construct Issues Database	1 d			36
40		**Deliverables Tracking**	**116 d**			
41		Develop Request/Tracking Form	4 d			
42		Reserve File Space	1 d			41
43		Monitor Deliverable Requests	111 d			42
44		**Phase-out Project Staffing**	**125 d**			
45		Establish Outgoing Contractor Executive Committee	1 d			
46		**Establish Project Team**	**45 d**			
47		Assign Project Manager	1 d			
48		Determine Workgroups and Assignments	1 d			
49		**Transition Staffing**	**125 d**			
50		Contract Project Team Specialists	1 d			
51		Operations Continuity Temporary Help	1 d			

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
52		**Budget Management**	**115 d**			
53		**Final Administrative Cost Proposal**	**16 d**			
54		Develop FACP Data	15 d			
55		Submit FACP	1 d			54
56		**Transition SBRs**	**61 d**			
57		Review Business Unit Workplans	10 d			
58		Submit Waiver Requests	10 d			
59		Determine Sub-contracting costs	10 d			
60		Submit Initial Transition SBR	1 d			57,58,59
61		**Follow-up SBR(s)**	**50 d**			**60,69**
62		Identify any additional costs	40 d			
63		Submit if needed	10 d			62
64		**Termination Proposals**	**97 d**			
65		Identify Termination Costs	90 d			
66		Submit Initial Termination Proposal	1 d			65
67		Identify Additional Termination Costs	5 d			66
68		Submit Additional Termination Proposal	1 d			67
69		**Request Contract Abatements/Waivers**	**2 d**			
70		**Abatements**	**2 d**			
71		Request Abatement	1 d			
72		Receive Approval/Implement	1 d			71
73		**Waivers**	**1 d**			
74		Request Waiver	1 d			
75		Receive Approval/Implement	0 d			74
76		**Notifications and Contracts Termination**	**87 d**			
77		**Data Center**	**1 d**			
78		Data Center Services	1 d			
79		MSN Print/Mail Services	1 d			
80		**EDI Trading Partners**	**20 d**			
81		Review Contracts	15 d			
82		Notify Contract Holders	5 d			81
83		**Facility(ies) Lease Termination**	**66 d**			
84		Review Contracts	1 d			
85		Notify Contract Holders	1 d			84
86		Provide Termination Costs to CMS	1 d			
87		**BCBSA Government Business Services(Part A Plan)**	**2 d**			
88		Review Contract	1 d			
89		Notify Contract Holder	1 d			88
90		**Program Safeguard Contractor**	**2 d**			
91		Review Contract	1 d			
92		Notify Contract Holder	1 d			91
93		**EDI Software Provider, PC-ACE**	**2 d**			
94		Review Contract	1 d			
95		Notify Contract Holder	1 d			94
96		**Global Network Services Provider**	**2 d**			
97		Review Contract	1 d			
98		Notify Contract Holder	1 d			97
99		**Global Network Service Frame Relay**	**2 d**			
100		Review Contract	1 d			
101		Notify Contract Holder	1 d			100
102		Review Contract	1 d			

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
103		**Claims/EDI Workgroup**	**118 d**			
104		**Develop Workplan**	**48 d**			
105		**Construct Workplan**	**13 d**			
106		Develop Plan	5 d			
107		Estimate/report transition effort	5 d			106
108		Submit Modifications that affect SBR	3 d			107
109		Revise Workplan per Kickoff Requirements	5 d			5
110		Provide Deliverables	70 d			109
111		**Support Claims/Call Center Call**	**71 d**			
112		Support Claims/Call Center Call weekly	71 d			
113		**Support EDI/Connectivity Call**	**71 d**			
114		Support EDI/Connectivity Conference Call weekly	71 d			
115		**Maintain Workgroup Outgoing Contractor Issues**	**76 d**			
116		Update Workgroup Outgoing Contractor Issues Log weekl	76 d			
117		**Customer Service/Provider Relations Workgroup**	**119 d**			
118		**Develop Workplan**	**48 d**			
119		**Construct Workplan**	**13 d**			
120		Develop Plan	5 d			
121		Estimate/report transition effort	5 d			120
122		Submit Modifications that affect SBR	3 d			121
123		Revise Workplan per Kickoff Requirements	5 d			
124		Provide Deliverables	30 d			123
125		**Support Claims/Call Center Call**	**71 d**			
126		Support weekly Claims/Call Center calls	71 d			
127		**Support Bene/Prov Relations Call**	**71 d**			
128		Support weekly Bene/Prov Relations calls	71 d			
129		**Maintain Workgroup Outgoing Contractor Issues**	**71 d**			
130		Update Outgoing Contractor Issues Log weekly	71 d			
131		**Audit and Reimbursement Workgroup (Part A)**	**118 d**			
132		**Develop Workplan**	**48 d**			
133		**Construct Workplan**	**13 d**			
134		Develop Plan	5 d			
135		Estimate/report transition effort	5 d			134
136		Submit Modifications that affect SBR	3 d			135
137		Revise Workplan per Kickoff Requirements	5 d			
138		Provide Deliverables	30 d			137
139		**Support Audit & Reimbursement Call**	**71 d**			
140		Support weekly Audit & Reimbursement call	71 d			
141		**Maintain Workgroup Outgoing Contractor Issues**	**71 d**			
142		Maintain Workgroup Outgoing Issues Log weekly	71 d			
143		**MSP Workgroup**	**119 d**			
144		**Develop Workplan**	**48 d**			
145		**Construct Workplan**	**13 d**			
146		Develop Plan	5 d			
147		Estimate/report transition effort	5 d			146
148		Submit Modifications that affect SBR	3 d			147
149		Revise Workplan per Kickoff Requirements	5 d			
150		Provide Deliverables	30 d			149

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
151		**Support MSP Call**	**71 d**			
152		Support weekly MSP Call	71 d			
153		**Maintain Workgroup Outgoing Contractor Issues Log**	**71 d**			
154		Maintain Workgroup Outgoing Issues Log weekly	71 d			
155		**MSP Inventory Reduction**	**71 d**			
156		Review Potential Areas for Reduction	20 d			
157		Prioritize Needs	8 d			156
158		Review with CMS and Incoming Contractor	3 d			157
159		Review/Determine Implementation Methods	5 d			158
160		Implement Inventory Reduction Plan	35 d			159
161		**Medical Review & Appeals Workgroup**	**118 d**			
162		**Develop Workplan**	**48 d**			
163		**Construct Workplan**	**13 d**			
164		Develop Plan	5 d			
165		Estimate/report transition effort	5 d			164
166		Submit Modifications that affect SBR	3 d			165
167		Revise Workplan per Kickoff Requirements	5 d			
168		Provide Deliverables	30 d			167
169		**Support Bene Hearings Call**	**71 d**			
170		Support Bene Hearings Call weekly	71 d			
171		**Support Med Review Call**	**71 d**			
172		Support Med Review call weekly	71 d			
173		**Maintain Workgroup Outgoing Contractor Issues Log**	**71 d**			
174		Update Workgroup Outgoing Issues Log weekly	71 d			
175		**PSC Contract/Scope Review**	**15 d**			
176		Determine need to modify operating arrangement with PSC	15 d			
177		Conditionally Implement	0 d			176
178		**Hearings Officer Phase-out**	**10 d**			
179		Determine Run Out of Appeals	5 d			
180		Establish Cutoff	5 d			179
181		Notify Cutover Workgroup	0 d			180
182		**Human Resources Workgroup**	**22 d**			
183		**Develop Workplan**	**1 d**			
184		Revise Workplan per Kickoff Requirements	1 d			
185		Provide Deliverables	5 d			184
186		**Support Recruit/Training Call**	**16 d**			
187		Support Recruit/Training Relations Call	16 d			
188		**Maintain Workgroup Outgoing Contractor Issues Log**	**16 d**			
189		Update Workgroup Outgoing Issues Log weekly	16 d			
190		**Systems Workgroup**	**76 d**			
191		Provide Deliverables	75 d			5
192		**Support Hardware/Software Acquistion Call**	**66 d**			
193		Support Hardware/Software Acquistion Call weekly	66 d			
194		**Support EDI/Connectivity Call**	**71 d**			
195		Support EDI/Connectivity Call weekly	71 d			
196		**Support Data Center/Standard System/Testing Call**	**71 d**			
197		Support Data Center/Standard System /Testing Call weekl	71 d			
198						

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
199		**Project Management Workgroup**	**155 d**			
200		Provide Deliverables	92 d			5
201		**Fixed Assets Disposition**	**135 d**			
202		Inventory Fixed Assets	5 d			
203		Notify Incoming Contractor	1 d			5
204		Notify CMS	1 d			203
205		Receive Responses	45 d			204
206		**Asset Tag Inventory**	**50 d**			
207		Review Assets List/Assess Accuracy	10 d			
208		Determine Need and Scope of Inventory	5 d			207
209		Assign Inventory Responsibilities	5 d			208
210		Conduct Inventory	30 d			209
211		Site Walk through with CMS	1 d			
212		Deliver claimed assets to Incoming Contractor	1 d			
213		Surplus any unclaimed assets	5 d			210
214		**Phase Out Banking Services**	**0 d**			
215		Determine Bank Contract End Date	0 d			
216		Coordinate Stop-payment process with incoming	0 d			215
217		Provide Voided check list to incoming	0 d			216
218		**Mail and Other Receipt Forwarding**	**57 d**			
219		Determine Items to be forwarded	1 d			
220		Develop Process for forwarding	1 d			219
221		Implement process for forwarding	1 d			
222		**Accounts Receivables Review**	**82 d**			
223		Set Date/Timeframe for Review	1 d			
224		Provide Review Protocols and Materials Request	0 d			
225		Support AR Review	3 d			
226		Notify Incoming of Outstanding AR	0 d			225
227		Obtain Signed Acceptance from Incoming Contractor	1 d			226
228		**POR/PSOR Reconciliation**	**21 d**			
229		Identify P&I Detail for Overpayments	21 d			
230		Reconcile Detail	21 d			
231		Report on Provider Overpayment Reporting System	21 d			
232		Cooridinate with Incoming Contractor for entry into Standa	21 d			
233		**Support Project Management Call**	**71 d**			
234		Support Project Management Call weekly	71 d			
235		**Support File Transition Call**	**76 d**			
236		Support File Transition Call weekly	76 d			
237		Support Archived record Transfer	1 d			
238		Support Other Archived Records Transfer	1 d			
239		**Final Packing of Hard Copy Files**	**49 d**			
240		Determine Scope and Method of Packing	3 d			
241		Provide SBR Data	1 d			
242		Make Arrangements with Record Storage contractor for S	1 d			
243		Hire Packers (temporary staff)	1 d			
244		Pack and Store Files	8 d			
245		Support Record Storage Contractor Pickup of Staged Files	1 d			
246		Final Packing	1 d			245
247		**Cutover Planning**	**61 d**			
248		Initial Cutover Planning Meeting	1 d			
249		Support/Maintain Cutover Checklist	60 d			248
250		**Cutover Workgroup**	**51 d**			
251		Support Cutover Planning call weekly	51 d			

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
252		**Facilities Phase-out**	**155 d**			
253		Notify landlord of Vacate Date	1 d			
254		**Determine Post-Transition Facilities Needs**	**1 d**			293
255		Workstations	1 d			
256		Phones	1 d			
257		Desktop	1 d			
258		Printers	1 d			
259		Copier	1 d			
260		Fax	1 d			
261		Supplies	1 d			
262		Notifications for Facility A Shutdown	1 d			
263		Notifications for Facility B Shutdown	1 d			
264		**Security**	**63 d**			
265		**Building Security**	**4 d**			
266		Termination Notitication	1 d			
267		Collect and forward badges on exit	1 d			
268		**Outgoing Contractor System Security**	**12 d**			
269		Termination Notification	1 d			
270		LAN/RACF Terminations	1 d			
271		**Data Center System Security**	**33 d**			
272		Termination specific date Notification	1 d			
273		RACF Terminations	1 d			
274		Determine/Request TPX for Post-trans staff	1 d			
275		Termination specific date Notification	1 d			
276		RACF Terminations	1 d			
277		**Standard System Operator Control**	**12 d**			
278		CSI to delete outgoing contractor Logons	1 d			
279		Notify Incoming contractor of Post-trans Staff	1 d			
280		Delete outgoing Contractor Logons	1 d			
281		**CMS System Access**	**61 d**			
282		Determine Staff/Term Date for CMS Access	1 d			294
283		Notify CMS specific date Terminations	1 d			
284		Notify CMS specific date Terminations	1 d			
285		Notify CMS specific date Terminations	1 d			
286		**Assure specific date access not shut down ea**	**18 d**			
287		Assure specific dates not shut down early	18 d			
288		**Post Transition Planning & Operations**	**98 d**			
289		**Reporting Requirements**	**31 d**			
290		Determine Staff/Time Requirements for Reporting	5 d			
291		Develop Workplan and Contingencies	20 d			290
292		Develop Financial Reporting Plan	5 d			291
293		Submit Financial Reporting Plan to CMS	1 d			292
294		Establish Post Cutover Reporting Team	1 d			289
295		Cross Train Post Cutover Team for Reports	30 d			294
296		**Post Cutover Reporting Strategy Meetings**	**36 d**			
297		Post Cutover Reporting Strategy Meetings weekly	36 d			

ID	% Complete	Task Name	Duration	Start	Finish	Predecessors
298		**CROWD Workload Reporting**	**8 d**			
299		**Year end Workload Data**	**6 d**			
300		Obtain Final Year end 308 Reports	1 d			
301		Obtain Line 40 MSN counts	1 d			
302		Compile Statistics	4 d			301
303		Input 1566 Data into CROWD	1 d			302
304		**Final Quarterly Workload Data**	**2 d**			
305		Compile Quarterly Workload Reports	1 d			299
306		Input 1566 Data into CROWD	1 d			305
307		**750/751**	**16 d**			
308		Develop Non-MSP CFO Data	15 d			
309		Develop MSP CFO Data	15 d			
310		Compile and Enter Data	1 d			309
311		**CASR & Other A&R Reporting**	**18 d**			
312		Reopening Report to CMS - RO	1 d			
313		Year End Monitoring Reports	1 d			
314		CRSL (Cost Report Settlement Log)	1 d			
315		ABC - Audfit	1 d			
316		ABC - Reimbursement	1 d			
317		Audit Effort Extract	1 d			
318		ASCR (Audit Selection Criteria Report)	1 d			
319		MONSTR2004 Reports	1 d			
320		CASR - CIER	1 d			
321		**Last Quarter IER**	**19 d**			
322		Final Timesheets	1 d			
323		Compile/submit time reports	1 d			
324		Compile other IER data	5 d			
325		Submit Final IER	1 d			324
326		**Other Reporting**	**24 d**			
327		FOI Report	3 d			
328		Annual FOI Report (6 month & annual)	21 d			
329		MSP Savings (1563)	12 d			
330		Part B Appeals (2591)	7 d			
331		CSAMS Report - Beneficiary	7 d			
332		CSAMS Report - Provider	7 d			
333		RBS & Medical Rev. Activ.	24 d			
334		PIP Quarterly Report "Q"	12 d			
335		Change Request Report	24 d			
336		Medicare SADBUS Report	24 d			
337		CNC & Writeoffs	24 d			
338		CASEWORK Approvals	24 d			
339		MSP Waiver Report	24 d			
340		DCIA Recall Report	24 d			
341		**Final 1099s**	**55 d**			
342		Confirm IRS Rules for Early 1099s	1 d			
343		Test Standard System 1099s with IRS	5 d			
344		Receive Final 1099 Files from Data Center	2 d			
345		Generate Final 1099s	7 d			344
346		Distribute Output	1 d			345
347		**Final Transfers to Incoming**	**1 d**			
348		Electronic Files	1 d			
349		Hard Copy	1 d			
350		**Final CPIC**	**33 d**			
351		Develop Materials and Statistics	28 d			
352		**Weekly CPIC Planning Meeting**	**26 d**			
353		Support Weekly CPIC Planning Meeting	26 d			
354		Prepare Final CPIC	3 d			
355		Sign & Submit Final CPIC	1 d			354

Exhibit 5
Sample of Deliverables Requested from Outgoing Contractors

The following is a sample of the types of information and documents that a MAC may request from an outgoing contractor using a deliverables list:

- Copies of the Beneficiary State Tape (BEST) or the Carrier Alphabetical State File (CASF), whichever is appropriate.
- Copies of MSNs, Remittance Advices
- Copies of all notices and bulletins
- Copies of computer forms, operational manuals and written procedures
- Outgoing contractor closeout plan
- Copies of fee schedules and payment schedules
- List of providers on 100% review, providers under investigation for fraud and abuse (including the issues involved) and providers whose cases have been referred to the Department of Justice
- Information on providers:
  - Name, telephone number, address, EIN of provider
  - List of providers on PIP/off PIP, with effective dates
  - Date of last interim rate payment review
  - EMC status
  - Current provider payment rates
  - Waiver of liability information, if applicable
  - Current program integrity information
  - Summary PS&R that contains most current payment data available on providers at the end of the transition period?????
- A listing of historical provider issues and problems
- Unique procedure information
- Listing of all vendors, suppliers and providers currently submitting EMC claims. Identify the standard format and the media that the vendors, suppliers and providers use to submit EMC claims
- Complete EMC information on all providers including:
  - Standard formats used
  - Vendors/billing houses/software used
  - Status of EDI agreements/contracts
  - EMC submission rates
  - Use of ERN and EFT
- A list of all special claims handling circumstances
- Inventory of all program materials and procedures that are available to the MAC. This should include any government owned property (equipment and supplies).
- List of assets available for purchase from the outgoing contractor.

Exhibit 5
Sample of Deliverables Requested from Outgoing Contractor (Cont.)

- Asset Listing
- Employee information needed for recruitment
- Key contacts—congressional, beneficiary , state groups
- Staffing attrition reports
- Storage indices
- Policies and procedures
- Status of key workload volumes
- Provider profile information
- Accounts receivable
- Listing of providers for EFT, DDE, etc
- Leases related to Medicare operations
- Enrollments inventory
- Status of cost Reports
- STAR databases
- Audit trails for Provider debt
- Workshop schedule

Exhibit 6
Files to be Transferred to a Medicare Administrative Contractor

This list is provides a sample of the types of files that will be transferred to an incoming Medicare contractor. It is not all-inclusive. Files to be transferred will vary depending on functions currently performed by the outgoing contractor and the functions that will be performed by the MAC.

Provider File
- Data File
- Index File
- Provider Mnemonic File
- Provider Overflow File
- Reasonable Charge File
- Physician ID File

Customary File
- Current Year File
- Previous Year File

Prevailing File
- Current Year File
- Previous Year File

Profile Procedure/Pricing Files
- Current Year File
- Previous Year File

Lowest Charge Level File

Limiting Charge Monitoring File

Beneficiary File
- On-line History Data Base File
- Off-line History Data Base File
- Index File
- Soundex File

Claim History/Conversion File
- Data File
- Beneficiary Inverted File
- Provider Inverted File

Exhibit 6
Files to be Transferred to a Medicare Administrative Contractor
(Cont.)

Activity/Pended File
- Data File
- Master Pending File
- Index File
- Beneficiary Inverted File
- Provider Inverted File

Financial Files
- Accounting Master File
- Bank Reconciliation/Accounts Receivable File
- Inverted File

DME Files (DME MACs only)

Eligibility File

QA Files

Carrier Option File

Pending/ Finalized Audit and Reimbursement File

Personnel File

Correspondence Files
- On-line Correspondence History Data Base File
- Index File
- Inverted File
- Inverted Index File

Utilization (Post Payment) Review Files

Provider Development Systems (PDS) Files
- PDS Option File
- Base Year File
- Maximum Allowable Prevailing Charge File
- No Rollback File

Exhibit 6
Files to be Transferred to a Medicare Administrative Contractor
(Cont.)

MSP Files
- Savings File
- Insurer File
- Data Match File

Government File

Coordination of Benefits File

HCPCS File

Pacemaster File

Miscellaneous Files
- SCC Files
- On-line and Update Reference Files
- Rolling Transaction File
- RPTTOTAL File
- OBFNEW File
- Batch Control File
- CICS Table Files
- Miscellaneous Transaction File
- Statistics File
- Replies Restart File
- Beneficiary Restart File
- HIC Restart File
- Procedure Frequency File
- PVSELECT File
- Provider Log File
- Procedure Diagnosis File
- Activity Restart File
- Daily/Weekly Check Number Files

Exhibit 7
DME Workload Meeting and Documentation Guide

Blue shaded activities indicate required DMERC face-to-face meetings or teleconferences.
Red shaded activities indicate required DMERC closeout documentation.
Non-shaded activities indicate documentation distributed to DMERC for information purposes.

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
1.	*Pre-Kickoff Conference.*	*2-3 hour meeting.*	*To review the upcoming DME jurisdiction transition, CMS expectations, contrac-tor-specific financial issues, and other items.*	*One-time meeting usually held prior to the kickoff meeting.*	*Face-to-face meeting.*	*CMS: DMERC CO, DMERC Contractor Manager, Transition Manager; DMERC.*	*CMS.*	*3.7.1*
2.	*DME Jurisdiction Kickoff Meeting Agenda.*	*Outline of meeting topics with dial-in teleconference number.*	*To provide participants with an outline of topics to be discussed with estimated times.*	*Due 3 days prior to meeting.*	*Memo via email.*	*CMS: COs, PO, Project Team; DME MAC; DMERC; Data Center; PSC; QIC, etc.*	*DME MAC with CMS input.*	*3.7.1*
3.	*DME Jurisdiction Kickoff Meeting.*	*1 day meeting.*	*To review the upcoming DME MAC implementation activities and associated DMERC closeout activities.*	*One-time meeting scheduled 10-15 days after contract award.*	*Face-to-face meeting with telecon-ference capability.*	*CMS: COs, PO, Transistion Manager, Project Team; DME MAC and Project Team; DMERC Closeout Team; Data Center; PSC; QIC; etc.*	*DME MAC. CMS will moderate.*	*3.7*
4.	*Transition Kickoff Meeting Documentation.*	*Minutes, record of discussion, issues/ action items.*	*To document the issues and action items from the kickoff meeting.*	*3 days following meeting.*	*Memo via electronic mail.*	*All attendees.*	*DME MAC.*	*3.7.1*

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
5.	*Transition Contact List.*	*List of kickoff meeting attendees and others to be involved in the project.*	*To ensure that appropriate transition personnel can be reached as needed throughout the transition.*	*Update and distribute as changes are made.*	*Spreadsheet via electronic mail.*	*All kickoff meeting attendees and others identified to be involved in the transition.*	*DME MAC.*	*3.7.1*
6.	*Deliverables List.*	*List of items, information, files, etc. requested by DME MAC to be provided by the DMERC.*	*To facilitate the transition from the outgoing contractor to the incoming contractor.*	*Development begins at contract award. Maintained and updated throughout the implementation.*	*Memo via electronic mail.*	*DMERC; CMS; DME MAC.*	*DME MAC Project Manager.*	*6.3*
7.	*Comprehensive Transition Workgroup Schedule/Calendar/ Contact List.*	*Document in calendar format showing all workgroups, heads, members, meeting times, and dial-in teleconference numbers.*	*To provide a reference calendar of all workgroup meetings and information.*	*Update and distribute as any changes are made.*	*Calendar format via electronic mail.*	*CMS; DME MAC; DMERC; all workgroup members.*	*DME MAC Project Manager.*	*3.8.5*
8.	*Transition Workgroup Agenda.*	*Standardized outline of workgroup topics with dial-in teleconference number.*	*To provide participants with topics to be covered in the workgroup meeting.*	*One day prior to the meeting.*	*Memo via electronic mail.*	*CMS; DME MAC; DMERC; all workgroup members.*	*Workgroup Head.*	*3.8.5*
9.	*Transition Workgroup Meetings.*	*Meetings for the various functional workgroups.*	*To monitor transition tasks and issues of the functional area for which the workgroup has responsibility.*	*Weekly meetings throughout the transition.*	*Teleconference.*	*All workgroup members.*	*Workgroup Head.*	*3.8.5*
10.	*Transition Workgroup Meeting Documentation.*	*Concise description of the workgroup meeting, issues, and action items.*	*To provide a record and document issues and action items pertaining to the workgroup.*	*Two days after each meeting.*	*Memo via electronic mail.*	*All workgroup members; all other workgroup heads; CMS; DME MAC; DMERC.*	*Workgroup Head.*	*3.8.5*

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
11.	*Implementation Project Status Report.*	*Narrative of DME MAC accomplish-ments by major tasks, issues/ concerns, action items, upcoming activities.*	*To communicate progress and performance against the DME MAC implementa-tion project schedule, high-light issues, concerns, action items, etc. regarding the implementation.*	*Biweekly at least 2 days prior to the Project Status Meeting.*	*Memo via electronic mail.*	*CMS; DME MAC; DMERC; Workgroup Heads; all others listed on Kickoff Meeting/ Contact List.*	*DME MAC Project Manager.*	
12.	*Closeout Project Status Report.*	*Narrative descrip-tion of DMERC accomplishments, issues, action items, upcoming activities.*	*To communicate progress and performance against the closeout plan and provide workload and staffing information.*	*Biweekly at least 2 days prior to the Project Status Meeting.*	*Memo via electronic mail.*	*CMS; DMERC; DME MAC; Workgroup heads; all others listed on Kickoff Meeting/ Contact List.*	*DMERC Closeout Project Manager.*	*4.10.4*
13.	Transition Project Status Meeting Agenda.	*Outline of meeting topics with dial-in teleconference number.*	*To provide participants with a description of topics to be discussed with estimated times.*	*Biweekly at least 1 day before meeting.*	*Memo via electronic mail.*	*CMS; DME MAC; DMERC; workgroup heads; all others listed on Kickoff Meeting/ Contact List.*	*DME MAC Project Manager.*	*4.11.3*
14.	*Transition Project Status Meeting.*	*1-2 hour general status meeting.*	*To keep all parties involved in the transition informed about the overall transition status, to discuss progress and issues, track action items and deliverables, and to review the Implemen-tation Project Plan and Closeout Plan.*	*Biweekly*	*Conference call. Possible face-to-face meeting with tele-conference capability.*	*CMS; DME MAC; DMERC; workgroup leads; Data Center; PSC; QIC; etc.*	*DME MAC Project Manager.*	*4.11.3*
15.	*Transition Project Status Meeting Documentation.*	*List of attendees, discussion items, action items.*	*To document the issues and action items from the bi-weekly project status meeting.*	*3 days after meeting.*	*Memo via electronic mail.*	*All attendees.*	*DME MAC Project Manager.*	*4.11.3*

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
16.	*DME MAC Implementation Project Plan (IPP).*	*Project plan listing major tasks/ subtasks required for the DME MAC implementation, along with dates, duration, dependencies, and responsible parties.*	*To document all actions required for the implementation, identify dependencies, and establish start/ completion dates in order to monitor progress and to facilitate the communication process among the parties involved in the transition. Coordinated with CPP.*	*Submitted with proposal. Baseline working document developed within 30 days after kickoff meeting.*	*Electronic. Project management software in, or convertible to, MS Project, MS Excel, or PDF format.*	*CMS; DME MAC; DMERC; data center; PSC; QIC, etc.*	*DME MAC Project Manager. Input from all involved entities necessary for baseline.*	
17.	*Implementation Project Plan Update.*	*Current information on the IPP regarding tasks, start/finish dates, dependencies, and completion percentage, including a list of tasks completed and off schedule.*	*To provide up-to-date information regarding all project tasks. This will allow the DME MAC and all involved parties to effectively monitor and manage the overall project to ensure completion as scheduled.*	*Biweekly. Submitted with the Implementation Project Status Report.*	*Electronic. Project management software in, or convertible to, MS Project, MS Excel, or PDF format.*	*CMS; DME MAC; DMERC; data center; PSC; QIC; etc.*	*DME MAC Project Manager.*	
18.	*Closeout Approach/ Inventory Reduction Plan.*	*Document describing operational approach for DMERC claims processing during closeout with weekly workload reduction goals for various claim areas.*	*To provide a plan for streamlining operations, reducing workload, maintaining staff and productivity, and establishing contingency plans for the closeout period. Inventory reduction plan will assist DME MAC in planning for workload volumes at cutover.*	*Submitted within 15 days after kickoff meeting.*	*Distributed by electronic mail.*	*CMS: DMERC CO, DMERC Contractor Manager, Transition Manager; DME MAC.*	*DMERC Closeout Project Manager.*	6.1 6.2

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
19.	*Closeout Project Plan (CPP).*	*Project Plan listing major tasks/ subtasks required for contract closeout activities.*	*To document all actions required for closing out the outgoing contractor's contract with start/end dates and dependencies in order to monitor progress and ensure completion of all closeout activities. Coordinated with IPP.*	*Submitted within 15 days after kickoff meeting.*	*Electronic. Project management software in, or convertible to, MS Project, MS Excel, or PDF format.*	*CMS; DMERC; DME MAC.*	*DMERC Closeout Project Manager.*	*4.3 4.10.2*
20.	*Closeout Project Plan Update.*	*Current information on the project plan regarding tasks, start/finish dates, dependencies, and completion percentage, including a list of tasks completed and off schedule.*	*To provide up-to-date information regarding all project tasks. This will allow CMS to effectively monitor and manage closeout activities to ensure completion as scheduled.*	*Biweekly. Submitted with the Closeout Project Status Report.*	*Electronic. Project management software in, or convertible to, MS Project, MS Excel, or PDF format.*	*CMS; DMERC; DME MAC.*	*DMERC Closeout Project Manager.*	*4.10.3*
21.	*Master List of Issues Log/Action Items.*	*Comprehensive list that documents issues/action items for each including ID, date created, description, responsible party, status, date of resolution. Accumulated from various work-groups.*	*To track transition issues and action items related to the project. Will be reviewed during the transition project status meetings.*	*Reviewed weekly and updated as required. Submitted with the biweekly DME MAC Implementation Project Status Report.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; workgroup heads.*	*DME MAC Project Manager.*	

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
22.	*DMERC Issues Log/Action Items.*	*List of issues/ action items that pertain solely to DMERC closeout activities.*	*To track any closeout issues related solely to the DMERC that are not monitored through the DME MAC issues/action items list.*	*Reviewed weekly and updated as required. Submitted with the biweekly Closeout Project Status Report.*	*Distributed by electronic mail.*	*CMS; DMERC*	*DMERC Closeout Project Manager.*	*4.10.6*
23.	*Communication Plan.*	*A general description and detailed schedule of how the DME MAC will educate and keep all transition stakeholders informed of the progress of the im-plementation and how any changes may affect them.*	*To monitor communication activities and schedules.*	*Developed within 30 days of kickoff meeting.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC.*	*DME MAC Project Manager with input from DMERC.*	
24.	*Communication Plan. Update.*	*Update on communication activities and schedules.*	*To provide CMS with current information on communication activities and schedules.*	*Biweekly. Sub-mitted with the Implementation Project Status Report.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC.*	*DME MAC Project Manager.*	
25.	*Test Plan.*	*A specific and detailed descrip-tion of the resources, types of tests and schedule.*	*To monitor the testing of the DME MAC's claims processing system and operational environment prior to cutover.*	*Baseline test plan developed within 30 days of kickoff meeting.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; appropriate workgroup heads.*	*DME MAC Project Manger.*	

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
26.	*Test Plan Update.*	*Update on testing activities and schedules.*	*To track schedule progress and provide current information on testing.*	*Updated on a bi-weekly basis and submitted with the Implemen-tation Project Status Report.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; appropriate workgroup heads.*	*DME MAC Project Manager.*	
27.	*DMERC Workload Report.*	*Operational statis-tics from various DMERC functional areas. Actual monthly totals will be displayed against estimated monthly goals of the Inventory Reduction Plan.*	*To assist the CMS, DMERC, and DME MAC in assessing progress and to allocate resources or modify transition activities if necessary. Meeting workload goals.*	*Weekly with monthly totals shown against estimated monthly reduction goals.*	*Distributed by electronic mail.*	*CMS; DMERC; DME MAC.*	*DMERC Closeout Project Manager.*	*4.10.5*
28.	*DMERC Staffing Report.*	*A report of DMERC staffing levels by function with any changes and reasons for changes.*	*To allow CMS to monitor staff attrition of the DMERC and take any necessary actions based on staff losses.*	*Weekly.*	*Distributed by electronic mail.*	*CMS; DMERC; DME MAC.*	*DMERC Closeout Project Manager.*	*4.10.7*
29.	*Asset Inventory.*	*A list of DMERC assets acquired to perform Medicare functions.*	*To inventory assets for the purpose of determining disposition so that the financial closeout of the Medicare contract can be accomplished. Assets may be kept, offered to DME MAC, sold, or destroyed.*	*As soon as possible after notice of termination.*	*Distributed by electronic mail.*	*CMS; DMER; DME MAC.*	*DMERC Closeout Project Manager.*	*5.6 4.10.8*

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
30.	*Cutover Plan.*	*Day-by-day check-list of activities that need to be accomplished during the cutover period.*	*To assure that all tasks required for the transfer of Medicare files, records, equipment, etc., from the outgoing contractor are captured and tracked.*	*Submitted at least 30 days prior to the pro-posed cutover period start date.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; data center; PSC; QIC; etc.*	*DME MAC Project Manager.*	*7.2*
31.	*Cutover Plan Update.*	*Updates to the cutover plan reflecting tasks completed.*	*To provide an up-to-date status of tasks required for cutover.*	*Daily during the cutover period.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; data center; PSC; QIC; etc.*	*DME MAC Project Manager.*	*7.2*
32.	*Cutover Meeting.*	*Status meeting generally one-half to one hour in length.*	*To review the Cutover Plan and progress of activities, including action items, concerns, risks, and contingencies.*	*Daily beginning 7-10 days before cutover and continuing at least one week after cutover.*	*Telecon-ference.*	*CMS; DME MAC; DMERC; data center; PSC; QIC; etc.*	*DME MAC Project Manager.*	*7.4*
33.	*Cutover Meeting Documentation.*	*Brief synopsis of attendees, discussion items, and action items.*	*To document cutover meeting conference calls.*	*Prior to next daily meeting.*	*Memo via electronic mail.*	*All attendees of the Cutover meeting.*	*DME MAC Project Manager.*	*7.4*
34.	*File Inventory.*	*An inventory of all DMERC files to be transferred to the DME MAC with a description and location.*	*Used for CMS review and to develop the file transfer plan.*	*Prior to the start of the Cutover period.*	*Distributed by electronic mail.*	*CMS; DMERC; DME MAC.*	*DMERC Closeout Project Manager.*	*7.6.1 4.10.9*
35.	*File Transfer Plan.*	*Description of Medicare files and records to be transferred by type, how and where they will be moved, and schedule.*	*To provide the logistics for actual transfer of files and to assist CMS in monitoring file preparations and the relocation of files.*	*Must be sub-mitted to CMS at the start of the Cutover period.*	*Distributed by electronic mail.*	*CMS; DMERC; DME MAC.*	*Joint respon-sibility: DME MAC Project Manager and DMERC Closeout Project Manager.*	*7.6 4.10.10*

No.	Activity	Description	Purpose	Frequency	Media	Audience	Responsibility	Ref.
36.	*Post-Cutover Activities and Resources.*	*A document listing the functions to be performed after contract end, resources, schedule and estimated level of effort.*	*To provide CMS with an estimate of resources to perform DMERC contract wrap-up activities.*	*One-time due at the beginning of the Cutover period.*	*Distributed by electronic mail.*	*CMS; DMERC.*	*DMERC Closeout Project Manager.*	*4.10.11*
37.	*Post Project Review (Lessons Learned).*	*A discussion of transition successes and areas that could be improved.*	*To document lessons leaned and improvements to the transition process. A compilation of lessons learned from all parties involved in the transition will be used as the basis for the Post-Project Review Meeting.*	*One-time. Due 4-6 weeks after cutover. The DME MAC will compile lessons learned from other involved parties into a single document and distribute 1 week prior to the Post-Project Review Meeting.*	*Distributed by electronic mail.*	*CMS; DME MAC; DMERC; data center; PSC; QIC; etc.*	*DMA MAC Project Manager with input from project leads of all parties involved in the transition.*	*7.9.4*
38.	*Post-Project Review Meeting (Lessons Learned).*	*2-3 hour meeting.*	*To discuss transition practices that worked well and areas for improvement for future transitions.*	*One-time. Approximately 4- 6 weeks following cutover.*	*Teleconference or possible face-to-face meeting.*	*CMS; DMERC; DME MAC; data center; PSC; QIC; etc.*	*DME MAC Project Manager.*	*7.9.5*

Exhibit 8
Sample Workload Report

CMS Weekly Report

Week Ending (Saturday)	Customer Service Report					
	Total Pending Correspondence	Correspondence Received	Correspondence Processed	Ending Correspondence	Correspondence Pending Over 45 Days	
	59				0	
	59	9	26	42	0	
	42	43	57	28	0	
	28	32	13	47	0	
	47	24	42	29	0	
	29	37	37	29	0	
	29	27	30	26	0	
	26	34	55	5	0	
	5	26	27	4	0	
	4	33	35	2	0	
	2	27	24	5	0	
	5	32	27	10	0	
	10	22	24	8	0	
	8	26	27	7	0	
	8	29	25	12	0	

CMS Weekly Report

Week Ending (Saturday)	Claims Workload Report (1566 Workload Report 308)					
	Claims Open Pending	Claims Received	Total Processed	Pending End of Week	Pending over 30 days	Pending over 60 days
	24,310	42,700	42,834	23,384	2,722	1,614
	23,384	42,908	44,206	21,245	1,653	996
	21,245	37,804	34,163	24,423	4,130	1,553
	24,423	45,223	46,249	22,613	2,837	1,293
	22,613	45,085	45,782	21,188	2,009	1,084
	21,188	43,465	42,737	21,454	1,500	908
	21,454	42,467	41,851	21,339	8,353	1,329
	21,339	38,226	31,667	27,600	3,339	1,252
	27,600	42,846	34,675	35,310	2,292	1,092
	35,310	43,212	55,067	22,501	1,261	477
	22,501	43,401	44,407	20,762	1,013	381
	20,762	42,174	42,204	20,084	2,736	871
	20,084	45,595	45,335	19,948	1,915	807
	19,948	40,551	41,571	18,312	1,495	675
	18,312	41,639	40,447	18,812	967	498
	18,812	40,742	41,049	18,096	3,187	771

CMS Weekly Report

Week Ending (Saturday)	MSP Workload			
	Total Pending Cases	Cases Received	Cases Closed	Ending Cases
	11,757	133	-163	11,727
	11,727	127	-100	11,754
	11,754	162	-217	11,699
	11,699	147	-182	11,664
	11,664	150	-235	11,579
	11,579	126	-62	11,643
	11,643	106	-160	11,589
	Report unavailable this week			
	11,589	129	-211	11,507
	11,507	76	-89	11,494
	11,494	117	-192	11,419
	11,419	85	-249	11,255
	11,255	225	-260	11,220
	11,220	319	-226	11,313
	11,313	131	-229	11,215
	11,215	88	-112	11,191

CMS Weekly Report

CMS Weekly Report

Week Ending (Saturday)	Appeals Workload Report										Medical Review Report									
	Appeals Received	Appeals Completed	Appeals Reviews Pending	Appeals Over 45 Days	Part B FH Rec'd	Part B FH Completed	Part B FH Pending	Part B ALJ Rec'd	Part B ALJ Completed	Part B ALJ Pending	Part A Recon Rec'd	Part A Recon Completed	Part A Recon Pending	Part A ALJ Rec'd	Part A ALJ Completed	Part A ALJ Pending	FTE's Working Appeals	Lab Appeals Received	Regular Appeals Received	Appeals Rec'd No Records
	101	124	236	66													3	64	37	12
	4	172	71	6													3	0	4	1
	32	24	102	0	0	1	8	0	0	35	1	1	5	0	0	5	3	Note: No longer reporting these items		
	39	39	102	0	0	1	7	0	1	34	0	1	4	0	0	5	3			
	37	27	112	0	1	0	8	0	0	34	0	0	4	0	0	5	2.5			
	36	22	126	0	1	0	9	0	0	34	0	2	2	0	0	5	2.5			
	37	14	149	0	0	0	9	0	0	34	2	0	4	0	0	5	2.5			
	23	77	95	0	8	5	12	1	0	35	1	2	3	0	0	5	2.5			
	15	53	57	0	1	0	13	0	1	34	1	1	3	0	0	5	2.5			
	41	30	68	0	2	0	15	1	5	30	0	1	2	0	0	5	2.5			
	50	0	118	0	0	0	15	0	0	30	0	0	2	0	0	5	0.5			
	37	30	125	0	10	2	23	0	2	28	0	0	2	0	0	5	2.0			
	45	30	136	0	0	1	22	0	1	27	0	1	1	0	0	5	2.5			
	18	56	98	0	6	9	15	0	0	27	0	0	1	0	0	5	Note: No longer reporting these items			
	24	32	90	0	5	0	20	0	0	27	2	0	3	0	1	4				

Exhibit 9
Sample Staffing Report

Medicare Contractor Staffing Changes:
Date: Week Ending

	1st week	2nd week	3rd week	4th week
	Head Count	Head Count	Head Count	Head Count
Claims/EDI				
Staffing Level				
Permanent	15	15	15	0
Temp/Contractor				0
Customer Service				
Staffing Level				
Permanent	10	9	9	0
Temp/Contractor	0	4	5	0
Provider Communication				
Staffing Level				
Permanent	1	1	1	0
Temp/Contractor				0
Medical Review				
Staffing Level				
Permanent	8	8	8	0
Temp/Contractor				0
Medical Appeals				
Staffing Level				
Permanent	2	2	1	0
Temp/Contractor				0
MSP				
Staffing Level				
Permanent	17	17	17	0
Temp/Contractor	1	1	2	0
Audit				
Staffing Level				
Permanent	18	18	17	0
Temp/Contractor	1	1	1	0
Reimbursement				
Staffing Level				
Permanent	9	9	9	0
Temp/Contractor				0
Provider Enrollment				
Staffing Level				
Permanent	1	1	1	0
Temp/Contractor				0
Administration				
Staffing Level				
Permanent	10	10	10	0
Temp/Contractor				
TOTAL				
Staffing Level	*93*	*96*	*96*	0

Comments
Date   Comment/Explanation

Exhibit 10
Glossary

Closeout: The period of time from the DME MAC's contract award to the end of the DMERC's Medicare business operations during which the DMERC carries out its plan to close down operations and transfer Medicare functions to the MAC.

Cutover: The actual point at which the outgoing DMERC ceases its Medicare operations and the DME MAC begins to perform DME business functions.

Cutover Period: The period of time surrounding the actual cutover. The cutover period normally begins 10-14 days prior to the cutover and ends with the DME MAC's operational date; i.e., when the DME MAC begins normal DME business operations for the DMERC workload that it assumed at cutover. During the cutover period the outgoing DMERC makes final preparations to shut down its operation and transfer the claims workload to the incoming DME MAC and the DME MAC makes final preparations for the receipt of Medicare files/data and the beginning of DME operations.

Durable Medical Equipment Medicare Administrative Contractor (DME MAC):
The incoming contractor that will assume the Durable Medical Equipment functions from the DMERC.

Durable Medical Equipment Regional Carrier: The Medicare carrier that currently performs DME functions under the Title XVIII Medicare contract.

Implementation: The period of time beginning with the award of the DME MAC contract and ending with the operational date of the DME MAC. During this period, the DME MAC performs all of the activities specified in its implementation plan to ensure the effective transfer of Medicare functions from the DMERC.

Jurisdiction: The territory in which the DME Medicare Administrative Contractor will contractually perform its Medicare functions.

Medicare Data: Any representation of information, in electronic or physical form, pertaining to Medicare beneficiaries, providers, physicians, or suppliers, or necessary for the contractual administration thereof, that is received, maintained, processed, manipulated, stored, or provided to others in the performance of functions described in a Medicare contract.

Medicare Record: A collection of related items of Medicare data treated as a unit.

Medicare File: A set or collection of related Medicare records treated as a unit

Operational Date: The date that the DME MAC assumes all Medicare functions from the outgoing DMERC.

Exhibit 10
Glossary (Cont.)

Outgoing Contractor: The Durable Medical Equipment Regional Carrier whose functions will be assumed by the DME MAC.

Post-Contract Period: The six-month period beginning with the end of the DMERC's Medicare contract. During this time, the DMERC maintains the Federal Health Insurance Benefits account, completes financial reporting, and performs related closeout activities.

Post-Cutover Period: Generally, the DME MAC's first three months of Medicare operation, during which workload and performance are monitored and any problems associated with the implementation are resolved.

Transition: The entire scope of activities associated with moving the functions of a Medicare fee-for-service DMERC to an DME Medicare Administrative Contractor. It includes implementation activities of the DME MAC, closeout activities of the DMERC, and the activities of other parties involved in the transition.

Transition Monitoring: A responsibility of CMS to ensure that Medicare functions are properly transferred from outgoing DMERC to the incoming DME MAC. Transition monitoring begins with the award of the DME MAC contract and ends three months after the operational date of the DME MAC.